EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,803 Tuesday March 28 1989 D 8523A

NATO
The search for a long-term vision
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World News

Ruling party in Turkey suffers poll defeat

Turkey's ruling Motherland Party (ANAP) is reeling from a resounding defeat in Sunday's local elections by the main opposition Social Democratic Populist Party (SHP). Page 20

Alaskan oil spill

An investigation has been launched into the holing of the tanker Exxon Valdez in Alaska, as efforts to clean up damage resulting from one of the worst recorded US oil spills continue. Page 20

Thatcher in PLO call

UK Prime Minister Margaret Thatcher urged Israel to start talks with the Palestine Liberation Organisation, in a speech in Marrakesh, Morocco, on the first leg of an African tour. Page 2

Israeli shoots child

An Israeli policeman shot dead a four-year-old Palestinian boy after being stoned by Arab protesters on the occupied West Bank.

Ruling on Reagan

The judge in the Oliver North Iran-Contra trial in Washington rejected a motion to call Ronald Reagan as first defence witness but left open the possibility that the former president could be summoned later.

Scandal charges

Prosecutors filed bribery charges against Mr Hisashi Shinto, the former chairman of Nippon Telegraph and Telephone, Japan's telecommunications concern and the world's most highly valued company. Page 6

Green Party row

A damaging row has erupted in West Germany's environmentalist Green Party over the alleged financial involvement with Libya of one of its prominent deputies. Page 4

Gandhi suspicion

A secret report into Indian Prime Minister Indira Gandhi's assassination points suspicion at a key aide who last month joined her son and successor as an adviser. Page 6

Yugoslav appeal

Communist party officials in the Yugoslav province of Kosovo appealed for an end to four days of rioting by ethnic Albanians. Page 4

Afghan offensive

Afghan guerrilla fighters have launched a new offensive on the besieged eastern city of Jalalabad in an attempt to block supply routes from Kabul. Page 6

Saudi-Iraqi pact

Saudi Arabia and Iraq signed a non-aggression pact in an apparent move to ease concern among conservative Arab Gulf states about Iraqi political ambitions after the Gulf war. Page 20

Jumbo alert

United Airlines jumbo jet flying 301 passengers to Honolulu was forced to return to New Zealand with engine problems.

Guatemalan kidnap

Armed inmates held more than 500 women and children hostage after taking over a Guatemalan prison in a riot that killed 10 and injured 50.

Peru strike delay

Three-day strike by metal miners in Peru, set for this week, has been postponed. Union leaders will meet government officials today to seek a solution to pay demands.

Topless stoning

An Italian student stoned a woman sunbather to death after accusing her of indecency for going topless on a beach near Savona.

FINANCIAL TIMES

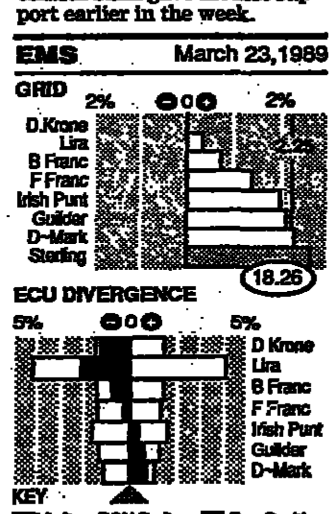
The Financial Times has moved. Our address is: Number One, Southwark Bridge, London SE1 9HL. Our telephone number is 01-873-3000. Editorial fax numbers are 01-407-5700, 01-873-3076 and, for Company News, 01-873-3074. The Telex number is 922186.

Business Summary

Telepoint set to break into West German phone market

Telepoint, the revolutionary pocket-phone system developed in the UK, looks set for a breakthrough in the West German market. Page 20

EUROPEAN Monetary System: The Danish krone continued to trade outside its divergence limit in terms of the European Currency unit last week. It also moved outside its 2¼ per cent cross rate limit against the D-Mark - the strongest currency in the system. A weaker US dollar tended to push the D-Mark firmer, thus increasing pressure on the weaker members. There was no sign of any central bank intervention to help the krone on Friday although the Danish central bank gave modest support earlier in the week.



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency (except the lira), may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

US INTEREST rates are at "something of a peak" but should fall by the end of the year along with inflation, according to Mr Michael Boskin, chairman of the US Council of Economic Advisers.

OPEC: a leading group of oil ministers from the organisation is meeting in Vienna in an effort to sustain the rally in crude oil prices. Page 20

INDIA is baulking at renewing trade treaties with Nepal as a signal to its neighbours that they must reciprocate if they want trade favours. Page 6

ISTITUTO San Paolo di Torino, Turin bank, has agreed the gradual acquisition of up to 50 per cent of the equity in Crediop, Rome-based banking concern. Page 24

BRITISH manufacturing output is slowing but production is not being switched to exports, according to the Confederation of British Industry, the employers' body. Page 8

POLAND's Banking Gazette has come out strongly against proposals for indexing wages to prices, which have been forced on the Government by Solidarity. Page 4

CREDITO ITALIANO, one of Italy's largest state-controlled banks, has unveiled figures showing it is making progress in its bid to gain control of Banca Nazionale dell'Agricoltura (BNA), the biggest private sector Italian bank. Page 24

JAPAN's Ministry of Finance "will be prepared to study" requests by Japanese banks for tax relief or rule changes which would induce them to enter debt reduction schemes for developing countries under the Brady plan. Page 6

EUROPEAN Commission aims by the autumn to complete its legislative campaign to curb national favouritism in the $360bn public procurement market. Page 4

FERRANTI, UK defence and electronics group, has secured more than $86m worth of contracts to supply display systems for the RAF's older Tornado aircraft. Page 11

AMERICAN Medical International, the third largest US hospital group, has received a leveraged buy-out offer worth $24 a share, or about $3bn in total. Page 24

REUTERS Holdings, UK news and information group, and its Instinet subsidiary have joined two US exchanges to launch an electronic network for 24-hour stocks and options trading. Page 24

NORTHERN ROCK has become the first UK building society to use the Business Expansion Scheme to enter the rental market. Page 10

YELTSIN IN LANDSLIDE VICTORY ● CANDIDATE FOR POLITBURO REJECTED

Soviet voters snub leading figures in Party hierarchy

By Quentin Peel in Moscow

VOTERS OF the Soviet Union yesterday snubbed the leaders of the ruling Communist Party in their most democratic and dramatic elections since the 1917 Revolution.

A string of leading figures in the party were rejected at the polls, including at least one candidate member of the Politburo. Many were crossed out on the ballot paper when standing unopposed.

The result amounts to the most profound upheaval faced by the ruling party since the purges of Josef Stalin in the 1930s. It has brought to the surface repeated demands by radicals – including several successfully elected – for the introduction of multi-party democracy.

Yet Mr Mikhail Gorbachev, the Soviet leader, greeted the result with apparent equanimity: "The Soviet man has had his say," he said.

"Although not everybody likes the outcome of the elections, nothing can be done here – this is the word of the master of the country."

In Moscow, Mr Boris Yeltsin, the most prominent rebel in the party's ranks, achieved a landslide against his officially-backed opponent, winning more than 5.1m votes, or more than 89 per cent of the poll.

Boris Yeltsin on his way to a landslide win in Moscow yesterday

In Leningrad, Mr Yuri Solovyev, secretary of the regional Communist Party and a candidate member of the Politburo, was the most prominent casualty of the campaign when he suffered the ignominy of failing to win 50 per cent of the vote in an unopposed fight. According to unofficial sources, still to be confirmed last night, 54 per cent of the voters crossed out his name.

With him were rejected the entire leadership of the Communist Party in both Leningrad city and the surrounding region, according to TV reports.

The same fate befell two of the top leaders of the Communist Party in the Ukraine, and two key leaders in Moscow.

In Kiev, the Ukraine capital, Mr Konstantin Masik, first secretary of the city Communist Party, and Mr Valentin Zgursky, chairman of the city council, failed to gain 50 per cent in spite of having no opponents.

There was no news about the fate of Mr Vladimir Shcherbitsky, leader of the Ukraine Communist Party and one of only two full members of the Politburo facing election – albeit unopposed. The other is Mr Vitaly Vorotnikov, president of the Russian federation, standing in Voronezh.

Mr Valery Saikin, mayor of Moscow, was an indirect casualty of the popular support for Mr Yeltsin when he failed to gain half the vote, as did his opponent, suggesting another mass crossing out by the newly-liberated electors.

Across the country, voters appear to have opted for independent candidates, nationalists or the most reformist members of the ruling party, wherever they had the chance.

In the Baltic republics of Estonia, Latvia and Lithuania, the resurgent nationalist movements won substantial support for the candidates they had openly endorsed, whether or not they belonged to the Communist Party.

However, in Riga, the Latvian capital, Mr Jan Vagris, the Communist Party leader, appeared to have done just enough to survive a challenge from an outright supporter of Latvian independence, Mr Juris Dobelis, winning 51 per cent in a split ballot.

General Fyodor Kuzmin, military commander of the three Baltic republics, just scraped through with 55 per cent.

In Lithuania, the Sajudis movement claimed a landslide for its supporters, with 31 seats out of 42, with eight constituencies still to be decided in a second ballot.A string of other party leaders were defeated, including the prime minister and the president of the republic's Supreme Soviet.

In Estonia, too, the only Communist Party leaders to survive were those who gained the blessing of the Popular Front: Mr Vainas Valjas, first secretary; Mr Indrek Toome, Prime Minister; and Mr Arnold Ruutel, president of the Supreme Soviet.

Moscow likely to warn Assad, Page 2; Boris the Unstoppable, Page 3

Fears grow in Europe over Brady plans

By Peter Norman, Economics Correspondent, in London

EUROPEAN monetary officials are increasingly concerned that recently unveiled US proposals for debt reduction supported by the International Monetary Fund and World Bank will produce only a small easing of the Third World debt crisis.

At the same time, they fear that the US ideas could entail a financially costly and politically difficult mobilisation of resources for the two Washington-based bodies.

These worries, which contrast with public expressions of support for the US initiative, have built up against a background of continuing uncertainty about the details of the US plans, which were first outlined by Mr Nicholas Brady, the US Treasury Secretary, on March 10.

The Brady proposals for IMF and World Bank funding in support of the negotiated reduction of debts owed by Third World countries to commercial banks are expected to dominate talks among finance ministers and central bank governors from industrialised and developing nations attending the spring meetings of the IMF and World Bank, which start in Washington on Friday.

The Group of Seven leading industrial countries, which comprises the US, Japan, West Germany, France, Britain, Italy and Canada, will discuss the Brady ideas next Sunday.

The seven are also expected to review inflationary pressures and interest rate policies in the main industrial countries and the halt this year to the so-called "adjustment process" of reducing the serious imbalances between the huge US current account deficit and the Japanese and West German current account surpluses. However, no change is expected in the G7 policy of co-operating among themselves to maintain broadly stable exchange rates.

The Brady debt initiative has won strong support from Japan and has been publicly welcomed by G7 policy makers such as Mr Gerhard Stoltenberg, the West German Finance Minister. But among European central banks, both the Bundesbank and the Bank of Italy harbour doubts about the arithmetic behind the Brady ideas.

The Bundesbank's concerns have so far been confined to internal memoranda, prepared for the delegation that will travel to Washington. But the Bank of Italy's reservations were given a semi-public airing last week at a symposium in Paris for Latin American financial officials organised by the French Finance Ministry .

According to participants, Mr Lamberto Dini, the Bank of Italy's Director General, warned that Mr Brady's ideas could have raised expectations that will be difficult to satisfy.

Mr Dini argued that $10bn of concessional finance from the IMF or World Bank might be used to reduce Third World bank debts by between $25bn and $30bn. But this would represent only a small portion of the estimated $1.300bn of total Third World debt outstanding and only around 10 per cent of the money owed to commercial banks by the 15 heavily indebted – mainly Latin American middle-income – countries singled out in 1985 for special support by Mr James Baker, Mr Brady's predecessor as US Treasury Secretary.

Debt reduction on such a scale would have only a limited impact on the annual debt servicing burden of the heavily indebted countries, cutting it from around $30bn to perhaps $27bn.

Yet mobilising funds in the IMF to finance such an idea could be difficult. At the meeting in Paris last week, Mr Dini pointed out that it took many months of negotiation before IMF member nations agreed to mobilise $7.8bn for the Enhanced Structural Adjustment Facility to aid low income developing countries at the end of 1987.

A further worry is that Mr Brady's suggestions lack a disciplinary framework for debtor countries. Officials say it is unclear how the debtors would be persuaded to pursue market-based economic reform programmes.

Indeed it is feared that the US ideas could encourage debtor countries to give up paying interest if they see that IMF-backed debt reduction schemes are applied to only a limited number of countries.

The suspicion among some European officials is that the Brady ideas are intended primarily to assist Mexico and Venezuela, both of which are of key importance to the US, while the burden is shared among the other industrialised members of the IMF and World Bank.

However, European officials acknowledge that the issue of IMF support for debt reduction will not go away now that it has been broached.

Minorco presses Gold Fields bid

By Kenneth Gooding, Mining Correspondent, in London

MINORCO, the South African-controlled investment company, is pressing ahead with its £3.2bn ($5.5bn) hostile bid for Consolidated Gold Fields despite the US court injunction preventing it from buying any more shares in the UK diversified mining company.

Minorco's hope is that by the final closing date on April 25 it will have enough acceptances to take its shareholding in Gold Fields above 50 per cent – if it was permitted to take up the shares.

Only then would it attempt to negotiate a settlement with the Gold Fields board.

The Takeover Code allows a further 21 days after the final closing date for a bid to be completed. Minorco believes that if a majority of Gold Fields' shareholders clearly showed they wished to accept its offer, the Gold Fields board would be under intense pressure to co-operate and help remove the obstacles presented by the US court.

Mr Keith Irons, Minorco's vice president, public affairs, said yesterday: "Our bid is still on the table. Shareholders (in Gold Fields) can still accept. It is up to shareholders to express a view about their board's attempts to frustrate an offer being put to them properly."

He pointed out that the sharp fall in Gold Fields' share price was a clear warning to its shareholders of what was in store should the offer be frustrated. The shares fell on Thursday, after news about the US injunction, by 183p to £12.50 – 150p below the value of the Minorco offer.

The South African-controlled group holds nearly 30 per cent of Gold Fields but won acceptance for only another 0.2 per cent by the first closing date of the current offer.

Minorco made some slight progress yesterday in its attempts to have the US injunction removed. In New York, Judge Michael Mukasay, who first imposed it, agreed to consider one more written submission each – from Gold Fields on Friday and Minorco on Tuesday.

The injunction was imposed because a merger of the two companies would give Minorco's parent, Mr Harry Oppenheimer's Anglo American Corporation of South Africa, control of 32.3 per cent of gold mining in the non-communist world.

Minorco said from the outset that, if its bid succeeds, it would sell Gold Fields' 49 per cent shareholding in Newmont Mining, which is rapidly emerging as North America's biggest gold producer. Minorco told Judge Mukasay that it is willing to give a legally-binding undertaking to sell the Newmont shareholding in a reasonable time. In the interim, Minorco would take no part in Newmont's day-to-day operations.

Minorco believes there is no guarantee the judge will give an opinion before the bid's final closing date.

US banks warn of retaliation over EC reciprocity test plans

By David Lascelles, Banking Editor, in London

AMERICA'S largest banks have warned the European Commission that the reciprocity provisions of the Commission's proposed banking directive risk provoking retaliatory action by the US against European Community banks operating there.

The Bankers Association for Foreign Trade, which represents all US banks which operate internationally, says in a detailed submission to Brussels that the provision could prove dangerous and counter-productive.

The proposed directive contains a controversial clause which would require all entrants to the single EC banking market after 1992 to undergo a reciprocity test to ensure that EC banks have equal access to the entrant's home market.

US banks are worried that they will be restricted in the EC because US law limits the geographical and operating freedom of banks on their home territory. They argue that these restrictions are irrelevant to the reciprocity issue because they apply to all banks in the US, whether domestic or foreign.

The association warns specifically that a reciprocity test would undermine competition within the EC and push up prices for financial services, which would affect the ability of EC cities to remain or become leading financial centres.

The banks remind the Commission of the innovative role played in the European markets by US banks, and their contribution to the growth of the Euromarkets.

The association also claims that the measure could affect the EC's export prospects and jobs market. If reciprocity was invoked against the US, it says "such an arbitrary provision could possibly provoke retaliation against EC banking organisations in the US. Such a conflict would produce only victims, not victors."

The submission has been sent to all leading officials in Brussels as well as to members of the European Parliament concerned with financial services legislation.

Mr John Simone, association president, says in a covering note to Sir Leon Brittan, the Commission vice president and competition commissioner: "We regard these proposals as potentially dangerous for the continuation of a close and mutually beneficial relationship between the financial services markets of the US and the EC."

The submission also points out that in some respects, US banking law is more generous than that in EC countries, such as Greece and Portugal which prohibit banks from engaging in leasing.

Foreign institutions open in London, Page 10

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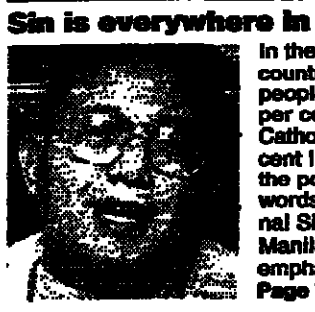
Sin is everywhere in Manila



In the Philippines, a country of 60m-plus people, where up to 85 per cent embrace Catholicism and 70 per cent live on or below the poverty line, the words of Jaime Cardinal Sin, Archbishop of Manila, have had an emphatic effect **Page 44**

Thatcher calls on Israel to start talks with PLO

THE Prime Minister last night urged Israel to start talks with the Palestine Liberation Organisation, agencies report.

She told the royal banquet hosted in Marrakesh by King Hassan of Morocco that nothing was ever lost by exploring the views of one's opponents, adding: "That is an example from which Israel can learn."

The need to resolve the Arab-Israel crisis "has never been more urgent" and Mrs Thatcher warned the proliferation of weapons in the Middle East now brought home the "horrors of a further conflict".

She said: "No one should be in doubt that the present situation in the Middle East is fundamentally unstable and cannot continue. It is time for well prepared negotiations to begin.

"Three things are needed for that.

"First, the influence and resolve of the United States with Israel. From my discussions with President Bush, I believe this will be forthcoming.

"Second, the support of the permanent members of the UN Security Council. Each of us feels we have something to contribute to the success of negotiations and that the framework provided by an international conference would be the right one.

"Third, we need the direct involvement of representatives of the Palestinian people from inside and outside the occupied territories. Without that, there is no chance of success."

Mrs Thatcher went on: "Never has the need for a solution been more urgent. The proliferation of weapons, including chemical weapons and the ballistic missiles to deliver them, brings home to us the horrors of a further conflict."

The Prime Minister spoke of King Hassan's own meeting with Israeli leaders in 1986 and applauded it as a courageous move. "Nothing is ever lost by exploring the views of one's opponents. That is an example from which Israel can learn."

Mrs Thatcher also discussed a plan to construct a bridge between Morocco and Spain.

King Hassan – who in 1980 kept the Queen waiting for an hour in the blazing heat – appeared to repeat the performance with the Prime Minister yesterday. The king is notorious for his unpunctuality and for his nervousness about his own security.

El-Mahdi olive branch for rebels

By Our Foreign Staff

SUDAN'S Prime Minister, Mr Sadeq el-Mahdi, whose new cabinet was sworn in at the weekend, yesterday appealed for an end to the country's five-year-old civil war and pledged to fulfil one of the southern rebels' conditions for peace by suspending punishments under Islamic Sharia law.

In an address to parliament, Mr el-Mahdi described Col John Garang, leader of the secessionist Sudan People's Liberation Army, as a brother and urged him to respond to government moves to end the civil war.

The new cabinet is committed to implement an agreement signed in November by the leader of one of its member parties, the Democratic Unionist Party, and Col Garang. "I direct an appeal to brother John Garang to respond to the peace operations room which the cabinet set up on the basis of the November 16 agreement," Mr el-Mahdi said. "I hope to hear from him a positive response that will bring peace to the country."

He said Sharia would be discussed by a proposed national constitutional conference, in which Col Garang's Sudan *People's Liberation Army* (SPLA) would take part.

Khomeini talks prompt leadership doubts

By Andrew Gowers, *Middle East Editor*

FRESH uncertainty about the future leadership of Iran was provoked yesterday by news that Ayatollah Ruhollah Khomeini had held an hour-long meeting with a body appointed to choose his successor as Iran's spiritual leader.

The Islamic Republic News Agency said the ayatollah, now believed to be 86 and not in the best of health, met the Assembly of Experts on Sunday night for talks on the country's leadership.

The meeting with Ayatollah Khomeini was somewhat unusual, in that another senior cleric, Ayatollah Hossein Ali Montazeri, was appointed as successor to Ayatollah Khomeini in his constitutional role of *faqih*, or Islamic jurist, as long ago as 1985. The agency report yesterday made no mention of the 66-year-old Ayatollah Montazeri, prompting speculation that his future is in question.

Ayatollah Montazeri has been increasingly an open critic of Iranian policies in recent months.

He has lambasted other leaders for ordering a brutal crackdown on the opposition, and has called for greater freedom of expression. During the celebrations of the 10th anniversary of the country's revolution last month, he made a number of speeches casting a less than flattering light on its achievements.

The latest uncertainty about Iran's future political direction has stemmed from Ayatollah Khomeini's controversial edict sentencing the Indian-born British author Salman Rushdie to death for "blasphemy" against Islam in his book The Satanic Verses.

This move provoked a row with Britain and other foreign countries. Since that broke out, Ayatollah Khomeini has made fierce attacks on those among the Iranian leaders who had been advocating a rapprochement between Iran and the West.

The radicalisation of the political climate in Tehran appears to have prompted the resignation last week of Mr Mohammad Jawad Larijani, a Deputy Foreign Minister who played a part in the opening to the West last year.

While Ayatollah Montazeri has not always been identified with the so-called liberals, he has called for efforts to change Iran's image from that of "a nation of killers".

Moscow likely to warn Assad on Mideast

By Andrew Gowers

THE Soviet Defence Minister is expected to use a visit to Damascus this week to warn President Hafez al-Assad of Syria again against relying on force to settle the Middle East conflict.

Gen Dmitri Yazov was due in the Syrian capital last night on the first visit to the country by a Soviet defence minister since the early months of Mr Assad's rule in 1970.

Although Syria is Moscow's most consistent ally in the Middle East, the trip comes *amid obvious strains over Syrian* military debts to the Soviet Union and over President Mikhail Gorbachev's desire to help foster a peaceful settlement of the Arab-Israeli conflict.

Syria and the Soviet Union are believed to have agreed to reschedule the former's $15bn (£8.7bn) military debt, during a visit to Moscow by Mr Assad in April 1987, and the Soviet Union continues to supply Syria with advanced weapons.

But Moscow is increasingly attaching strings to such assistance, by insisting on prompt *payment and telling the Syrians* – as Mr Gorbachev did two years ago and Mr Eduard Shevardnadze, Foreign Minister, did last month – that "reliance on military force in settling the Arab-Israeli conflict has completely lost its credibility."

Mr Shevardnadze, in pressing the case for an international Middle East peace conference, repeatedly drew attention to the dangers of the regional arms race, and especially the proliferation of chemical weapons and ballistic missiles. To *hammer the point home, the* Soviet news agency Novosti yesterday quoted Gen Yazov as saying that conflict in the region could threaten world progress on disarmament.

"The military capabilities [in the Middle East] are much bigger than the economic and demographic weight of the Middle East on the international level," he said in a statement issued by Novosti in Damascus.

"There is a real danger that the [global] disarmament process might be blocked due to the *absence of moves towards a just political settlement* in the region," Gen Yazov said.

Artillery barrages shake Beirut area

FIERCE artillery barrages shook Beirut and nearby mountains yesterday, sending Lebanese scurrying to shelters to escape the latest bombardment in two weeks of fighting in which 74 people have been killed, Reuter reports from Beirut.

Security sources said scores of shells pounded residential neighbourhoods in Christian east and Moslem west Beirut, as well as towns and villages *in the mountains*.

The latest flare-up killed one man and wounded at least 11 people. More than 240 people have been wounded in the fighting between Syrian gunners, their Moslem and leftist allies, and mainly Christian troops of Maj-Gen Michel Aoun, the army commander.

Guatemala jail surrounded

Hundreds of police and soldiers surrounded Guatemala's largest prison yesterday after some 250 inmates took it over and held guards and Easter visitors hostage, officials said, AP reports from Guatemala City. Six people were reported killed in the takeover and about 20 wounded.

Inmates wrested rifles from guards on Sunday to take over the prison, officials said.

Eta promises to extend truce

The Basque separatist organisation Eta yesterday said it would extend a nine-week truce for three months to allow continued talks with Spanish *government officials in Algiers* over a negotiated peace settlement, Tom Burns reports from Madrid.

Eta's decision raises the prospect of the longest period of peace since the organisation began its violent campaign for the independence of the Basque region more than 20 years ago.

The extension of the truce appears linked to the mid-June elections to the European Parliament, when the radical *nationalist coalition* Herri Batasuna, a group that supports Eta and boycotts the Basque region's quasi-autonomous institutions, will hope to have its sitting MEP returned with an increased majority.

Philippine poll today

Philippine electors go to the polls in village elections today for what is technically the last *stage of the return of* democratic institutions after the fall of President Ferdinand Marcos's loose form of dictatorship three years ago, reports Richard Gourlay from Manila.

The main national political parties have been kept away from the elections, in more than 42,000 barangays (villages) throughout the country, so the 1m candidates can focus on local issues. However, the banned Communist Party is fielding candidates.

Protests flare in Burma

Scattered protests broke out in Rangoon and Mandalay yesterday, as Burma's military rulers staged a big army parade to commemorate the fight against Japanese occupation at the end of the Second World War, Reuter reports from Rangoon.

Diplomats said there was at least one shooting incident in *Rangoon* as security forces on trucks suppressed small student-led protests. Reports had reached Rangoon of a bigger demonstration in Mandalay.

Laos PM's wife ahead in poll

The wife of Prime Minister Kaysone Phomvihane appears to be leading in the race for a seat, in the capital Vientiane, in the Laos Supreme People's Council, AP writes from Bangkok.

Laos was voting for members of the Supreme People's Council, the highest state body, for the first time. It was composed of 45 appointed officials when established with the communist takeover in December 1975.

PLO sees 'progress' in US attitude

THE US showed cautious progress in its attitude to the Palestinian question during talks in Tunis last week, a PLO official said yesterday, Reuter reports from Tunis.

The official said that US ambassador Robert Pelletreau could not give clear answers on most issues raised at the talks, but even so the Palestinian team detected some movement towards its own point of view.

He said the US hinted it was working for direct talks between the PLO and Israel, a step which Mr James Baker, the US Secretary of State, has already said Israel might have to take if it cannot find negotiating partners outside the organisation.

"It was also clear that the Americans don't accept the division between Palestinians inside the occupied territories and those outside," the official added.

Israel, fearful of the demographic impact of returning refugees, has always sought to exclude the diaspora Palestinians from any settlement. The US-sponsored Camp David accords of 1978 took the same approach.

The PLO official said the US *team came closer* to the PLO line in drawing a distinction between terrorism and violent aspects of the 15-month-old intifada in the occupied West Bank and Gaza strip.

"They did bring up the question of Molotov cocktails and the stabbing of Israeli soldiers, but only in the sense of 'What do you think of such things?'" he added.

The PLO answered that the intifada was a popular uprising and pointed out that the US administration continued to veto United Nations resolutions condemning Israel's violent response to it, he said.

The official, who is close to one of the three PLO negotiators in the talks, said Washington wanted to focus on security and administrative details while the PLO wanted progress on big political issues such as US recognition of a Palestinian right to self-determination.

"One feels that they are very cautious, very pragmatic," he added.

"They don't have a clear idea of the goal of the process, or where it will lead. They seem more anxious to find steps of a security nature on the pretext of creating a better atmosphere."

One problem was that Mr Pelletreau could not answer many of the questions the PLO raised while Yasser Abed Rabbo, the head of the PLO delegation, could state PLO policy without referring to his superiors, the official said.

"That's why we asked the United States to raise the level of the dialogue (on their side). Otherwise it will be very slow and the usefulness will be limited."

He said that at the meeting, the first formal session since the Bush administration took office in January, the PLO asked for clarification of whether the US regarded the group as representative of the *Palestinian people*.

Other points on which clarification of US policy was sought included an international conference on Middle East peace, Israeli action to quell the intifada, what the final outcome of peace negotiations should be, and the reopening of the PLO information office in Washington.

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OVERSEAS NEWS

Leningrad boss comes last in a one-horse race

By James Blitz in Leningrad

THERE WAS one election result in Leningrad that the entire city was waiting for.

It was the race in the Neva territorial constituency in the south-east of the city, between the First Secretary of the Leningrad Region and nobody else.

Mr Yuri Solovyev, the party boss in Leningrad and a junior member of the Politburo, was the only candidate on the ballot paper on Sunday.

In the past that was a safe way of getting elected. But these days, the traditional Soviet tactic of standing alone for a seat can backfire. Having been told in the press that they are voting in a multi-candidate election, people find the appearance of just one name on the voting slip a bit of a cheek.

Sure enough, Mr Solovyev now appears to be the most prominent casualty in the Soviet elections, with unofficial sources indicating last night that 54 per cent of the voters crossed out his name.

Throughout the election campaign Mr Solovyev has been under fire in his constituency. His name has headed the hit-list of Communist officials drawn up by the independent political groups which are vaguely tolerated by the party.

"You know what to do when you get to the ballot box," barked Mr Valery Terekhov of the Democratic Union on polling day, at a man on other end of the telephone. "Strike his name out."

That has been the tactic: "If enough people turn up and cross out his name, Solovyev will fail to get the 50 per cent of the total vote needed to be elected," says Mr Terekhov. "And he's a big fish."

By close of poll on Sunday, there were strongindications that the First Secretary was in trouble. The trend had been clear outside one polling station earlier on Sunday afternoon: of 20 people asked how they had just voted, 16 said they struck out the name and only four said they had voted for the First Secretary.

But more telling than the figures was the fury. "One candidate on the ballot ? Do you really call that an election?" said one woman as she walked into the street.

"How could I vote for Solovyev? Look at the mess behind you," said another woman, pointing to a rubble-strewn park beside the polling station.

"This first Secretary has done nothing. He's part of the old Romanov gang," said a taxi-driver in the constituency, bracketing him with the former Brezhnevite boss in Leningrad who is best remembered for borrowing Catherine the Great's dinner service from the Hermitage and smashing it.

At the end of the campaign, the party was showing its nerves. On the front-page of Saturday's Leningrad Pravda, the local party paper, there was a blistering attack on the independent Democratic Union for its campaigning in the Neva constituency.

"The organisation hasn't got in its soul anything concrete, factual and serious with which to correct the problems of our country," the writer argued. His piece sat alongside Mr Solovyev's published programme, the paper's main item on the eve of the election.

Throughout polling on Sunday, the Democratic Union was expecting the result to be fixed. Mr Terekhov said that in at least 10 polling stations, the ballot box was nowhere near the secret booths, so that voters were discouraged from showing that they wanted to mark their papers in secret.

One observer at a polling booth in the outskirts of Leningrad said official notices called on voters to cross out all but one name on the list. "Many voters don't realise that they can cross them all out," he said.

In the preamble to his political programme on Saturday, Mr Solovyev said: "This election has been the most interesting that I have ever taken part in." Those words will not be eaten.

Bid to end farm trade impasse in final phase

By William Dullforce in Geneva

EFFORTS TO break the deadlock over world farm trade and put the Uruguay Round of trade-liberalising negotiations back on the rails enter a hectic final phase this week, with key trading nations still reporting wide disagreement on how to proceed.

A US official said Washington "had problems" with all the working papers tabled last week by Mr Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade, as bases for compromise in four key issues.

Preliminary remarks on the Dunkel document from European officials showed important variations in attitudes among the 12 members of the European Community.

Ambassadors among the Cairns group of 13 farm exporter countries stressed the group had firmly resolved, at a meeting in New Zealand on March 17, not to accept any agreement on agriculture that did not meet their minimum demands.

The five Latin American members of this group blocked agreements on 11 issues – including crucial ones on services, tropical products and improvements to the functioning of Gatt – at the trade ministers' mid-term review of the Uruguay Round in Montreal in December.

Their rebellion was prompted by the failure of the US and the EC to resolve their deadlock over farm trade reform.

Mr Dunkel was appointed by the trade ministers after the failure in Montreal to mediate on the four outstanding items – agriculture, intellectual property rights, textiles, and the safeguards which governments can temporarily apply against sudden surges of imports.

His working papers – the result of his consultations in Washington, Brussels, Tokyo and several other key capitals, including New Delhi and Buenos Aires, where he met the Latin American ministers – aim to accelerate the final deliberations in Geneva.

Last week, he told heads of delegations to Gatt that he had not detected "the degree of movement necessary" among governments, and warned that little time was left to find compromises before the decisive meeting on April 5 of the Uruguay Round trade negotiations committee.

Six of the 12 pages of Mr Dunkel's working papers cover agriculture. They foreshadow a compromise, which has been taking shape in bilateral US-EC talks, over Washington's demand that the long-term objective for farm trade reform should be the elimination of all trade-distorting farm subsidies and other supports within a fixed period.

The objective in Mr Dunkel's formulation would be "substantial progressive reductions ... sustained over an agreed period of time". It is generally believed the US and the EC will accept this compromise.

Other proposals in the paper on agriculture remain controversial. Mr Dunkel would give "credit" in implementing reforms for measures taken since the Uruguay Round was launched in 1986, but the US and other countries oppose the EC's demand that the base year for assessing credit should be 1984.

US officials considered Mr Dunkel's paper did not go far enough to meet their latest demand that all barriers to farm trade be converted into tariffs, a proposal which the EC has seen as threatening the heart of its common agricultural policy.

Cairns group ambassadors object that the short-term measures evoked concentrate almost exclusively on freezing supports at their current levels and ignore earlier proposals for cuts.

Voters back Boris the Unstoppable

Quentin Peel tells of a message from the Moscow polling booths

Voter after voter emerging from the polling booths in Moscow told the same story: "I voted for Yeltsin, of course".

It was as if even to ask the question was superfluous. The only doubt was whether the result would be rigged against him, or not.

In the event, there was no way it could be. With more than 5.1m votes in his favour, or 89.4 per cent of the vote, Mr Boris Yeltsin, the disgraced former leader of the Moscow Communist Party, once a candidate member of the Politburo, was unstoppable. In Britain, his opponent Mr Yevgeny Brakov, manager of the giant Zil car factory, would have lost his deposit.

Mr Yeltsin's result was the most startling manifestation of a backlash across the country against Communist Party bureaucrats, even where they were standing unopposed.

So why the landslide, and what does it mean? Perhaps the key question is: will it make Mr Mikhail Gorbachev, the Soviet leader, happy, or will it be a profound embarrassment for him?

The most revealing meeting of the Yeltsin campaign took place outside the Lenin stadium in Moscow on Saturday afternoon, on the eve of the poll.

It was nothing like the size of the huge demonstrations that have taken place in the Baltic republics and in Armenia and Georgia in the south, where hundreds of thousands have jammed the streets. But some 20,000 people gathering for an unofficial political meeting in Moscow is still unprecedented in recent years.

What was obvious was that Mr Yeltsin has attracted a coalition of opposition forces ranging from the social democrats of the Democratic Union, through a semi-nationalist Russian Popular Front, to the radical left wing of the Communist Party itself.

Not only that, but he and his supporters openly announced what was effectively a "Yeltsin slate" of candidates in half the seats of Moscow, including all the most outspoken reformers.

Yesterday it became clear that many had won, or forced a second ballot, on the back of the Yeltsin landslide.

A crucial factor in his success was the fact that he is seen to be persecuted by his former colleagues: the announcement that the Central Committee of the Communist Party was investigating his speeches brought a huge upsurge in popular support for him.

His campaign against the privileges of the party leadership has also touched a chord in the population, battered by interminable shortages and deeply resentful of those seen to have access to a better lifestyle.

So what of Mr Gorbachev?

On the one hand, the result can be seen as a major success for his ambitions of reform. Mr Yeltsin's principal target has been Mr Yegor Ligachev, the most prominent conservative figure in the Politburo. It was Mr Yeltsin's open and personal attack on Mr Ligachev at the Central Committee meeting in October 1987, which led to his dismissal from the Politburo and the Moscow party leadership.

The other top figure who has been identified with the anti-Yeltsin campaign is Mr Lev Zaikov, his successor as Moscow party leader. He has also made increasingly conservative noises in recent months.

Mr Gorbachev can therefore use Mr Yeltsin's victory as an argument for pressing ahead more vigorously with his reforms of the bureaucracy, bringing more democracy into the party structure, and decentralising the rigid planning system.

Mr Yeltsin provides a useful counterbalance to the conservative forces in the Politburo, allowing Mr Gorbachev himself to occupy the middle ground. Without Mr Yeltsin, he has no stick with which to beat the conservatives.

By the same argument, he still needs Mr Ligachev and Mr Zaikov: he cannot afford to alienate the ruling party bureaucracy, for they are his constituency. He needs to play the two sides off against each other.

A more cynical interpretation would even see the Yeltsin victory as a plot by the leadership since the start. Boris Yeltsin is at heart a true party man, even if disaffected. By letting him run, the entire election process gains an aura of democracy which in reality it has lacked in many regions.

On the down side for Mr Gorbachev, however, is that he has himself on occasion been sharp about Mr Yeltsin, his former lieutenant. On polling day, he denounced those seeking too bold a leap forward – an obvious reference to Mr Yeltsin.

He also rebuked the upstart from Sverdlovsk (where Mr Yeltsin used to be party boss) for imagining that he faced more criticism than others – thus implicitly denying the charge that there was blatant undermining of the Yeltsin campaign.

In the streets of Moscow yesterday, ordinary voters saw the victory of their popular hero as a slap in the face for the party chief. "Is Mr Gorbachev so popular now?" they said.

Ukrainian journalist triumphs over party

A CRUSADING journalist trounced four members of the Communist Party in the Soviet parliamentary election, sweeping to victory after overcoming attempts by local authorities to keep her off the ballot, Reuter reports from Lvov.

Ms Alla Yaroshinskaya, 35, whose articles on public housing mismanagement offended officials in Zhitomir, won 90.4 per cent of the vote in the provincial Ukrainian city. She was the only one of the five candidates who was not a party member.

In nearby Lvov, thousands of ballots were declared invalid and no one won a majority in two districts after human rights and cultural activists protesting against election procedures called on voters to spoil their ballots or vote against everyone.

Ms Yaroshinskaya, reached by telephone at her campaign headquarters in Zhitomir, said the vote for her reflected dissatisfaction with the local government she had criticised in her articles. She said: "I was the candidate of the people. The people did not want someone who would be the arm of the authorities."

In Lvov, 200 miles west, election commission secretary Adam Martinyuk said the city would call new elections in two districts where no candidate won an overall majority on Sunday.

A local cultural association said the result was a victory for its appeal to residents to protest at undemocratic election procedures by voting against everyone on the ballot.

"We declared these elections anti-democratic," said Mr Orest Sheika of the Lion Society, a group formed in 1987 to preserve Ukrainian culture. "It looks like we were successful."

In the Ukrainian capital Kiev, the local Communist Party chief and mayor lost Sunday's elections even though they had stood unopposed, local sources said.

Nationalist movements won huge public support in the first multi-candidate general elections since the three Baltic republics were incorporated into the Soviet Union.

The Communist Party leaders of all three republics won election but provisional figures released yesterday showed many members of their governments and ruling Communist Parties defeated.

The voting demonstrated the strength of nationalist opinion in the three republics, which were absorbed into the Soviet Union in 1940.

The election campaign in the Baltics came closest to the party-based campaigns of the West and in varying degrees brought the movements into conflict with officialdom.

OVERSEAS NEWS

Kohl under pressure from party squabbles and poll

By David Marsh in Bonn

MR Helmut Kohl, the West German Chancellor, faces more problems keeping his grip after fresh squabbling within his Christian Democratic party (CDU) and publication of a poll that showed nearly two thirds of the electorate want him to quit.

Under pressure after a run of regional electoral setbacks for his centre-right coalition, Mr Kohl is considering, during his Easter holiday, a cabinet reshuffle for next month. However, doubts have arisen over whether he will be able to change his Government with the necessary decisiveness to improve his party's chances much in the general election in December next year.

Mr Kohl was also drawn into a bitter dispute at the weekend over a call, backed by a trade union, for young people to refuse conscription by the armed forces. The episode illustrates the mood of German pacificism which, like rising resentment over immigration, is a growing electoral headache for the government.

Mr Kohl called a "scandal" the declaration by the German Peace Movement and the youth section of the powerful I G Metall metalworkers' union that young people should oppose conscription on the grounds of conscience. The number of conscientious objectors has risen rapidly over the past year and now makes up about one in eight of all young men of call-up age.

Mr Rupert Scholz, Defence Minister, who is also under strain because of political campaigns against Nato's low-flying and troop manoeuvres, said he was shocked by the declaration. I G Metall said the initiative was not approved by the union's leaders but Mr Kohl called it an attack on the democratic foundations of the federal armed forces.

In the latest sign of his personal unpopularity, 64 per cent of people interviewed in a poll, published in the Welt am Sonntag newspaper, said they wanted Mr Kohl to step down. Nearly half said they favoured his displacement by Mr Lothar Späth, Christian Democratic Prime Minister of Baden Württemberg state and the only leading CDU figure to have emerged unscathed from the party's recent election misfortunes.

Two of Mr Kohl's erstwhile rivals among the Christian Democrats, meanwhile, waded into the fray over the party's future.

Mr Rainer Barzel, a former party chairman, said the Government's immigration policies had failed to take account of the "little man", while Mr Kurt Biedenkopf, a former general-secretary, launched a new attack on Mr Kohl's social policies.

W Germany and France act to bridge gaps on arms control

By David Marsh

FRANCE and West Germany are intensifying efforts to end their divergences over arms control, which could have a crucial bearing on Nato's position in disarmament negotiations with the Warsaw Pact.

Mr Roland Dumas, French Foreign Minister, will be in Bonn on Friday for talks with his German counterpart Mr Hans-Dietrich Genscher. They will exchange protocols to the 1963 Elysée Treaty that set up the Defence and Finance Councils linking the two countries. Mr Helmut Kohl, West German Chancellor, will meet President François Mitterrand on April 4 in Bavaria. Attempts to harmonise security policies are expected to be high on the agenda at both meetings.

France backs the Bonn Government's bid to delay a decision on bringing in new nuclear weapons in place of the short-range US Lance missiles deployed in West Germany. Bonn's Foreign Ministry denied at the weekend reports from Brussels that Nato had now agreed to develop a weapon to succeed Lance.

Mr Kohl said last month that Bonn sees no need for a decision until 1991-92 – a position broadly agreed by France.

On the other hand, Paris is making clear its disagreement with Bonn's wish for early negotiations with the Soviet Union on cutting stocks of short-range missiles in western Europe. The French Government, which wants to maintain a role for its own shorter-range nuclear weapons, believes any such negotiations could jeopardise France's own security priorities.

Mr Dumas this month irritated the Bonn Government by suggesting "special treatment" for Germany in East-West conventional force disarmament.

The foreign ministries in Bonn and Paris have gone out of their way to play down differences over the affair. But a speech by Mr Dumas at the Vienna conventional arms stability talks inflamed sensitivities in Bonn. He hinted that East and West Germany, with other countries nearer the East-West front line, such as the Benelux states, might be singled out as zones of reduced security in talks on reducing conventional arsenals.

West Germany wants to avoid seeing troops and tanks reduced on German soil but left intact in countries, such as Britain and France, further away from the East-West divide. Differential treatment, which France has said it wants to avoid, would indicate to many Germans that Nato allies still see the federal republic as a "glacis" or buffer zone between the two military blocs.

French officials term German fears of discriminatory treatment "irrational", but admit that Mr Dumas's Vienna speech should have been more carefully phrased.

Greens man in row over 'links with Libya'

By David Marsh

A DAMAGING row has erupted in West Germany's Greens ecology party over the alleged financial involvement with Libya of a prominent Green deputy, Mr Alfred Mechtersheimer, who is also a leading figure in the country's "peace movement".

Mr Mechtersheimer, 49, a former Bundeswehr officer who is now a well-known campaigner against Germany's military links with Nato, admitted in a radio interview over the weekend that he had accepted an offer from Tripoli to participate in a Libyan foundation based in Liechtenstein.

This followed a front page story on Saturday in the Süddeutsche Zeitung, one of West Germany's leading newspapers, saying Mr Mechtersheimer had been engaged by Col Muammar Gadaffi, the Libyan leader, to promote Tripoli's views in the West.

The newspaper said Mr Mechtersheimer was present last December in Zurich at the first meeting of the foundation's board, which it said was backed by $10m in Libyan funds. Mr Mechtersheimer denied over the weekend having personally received any Libyan money.

Greens deputies said party leaders would meet Mr Mechtersheimer shortly to discuss the "very serious" allegations.

Mr Mechtersheimer is not a member of the Greens Party but sits in the Bundestag as a member of the Greens parliamentary grouping.

He has had links with Libya going back several years, and runs a "peace institute" in southern Germany which has run newspaper advertisements against low-flying by Nato aircraft across West Germany.

Mr Mechtersheimer told the Süddeutsche Zeitung that he was playing only an advisory role in the foundation. The newspaper said Libya had placed $10m in a Swiss bank account to finance the foundation and other activities. Mr Mechtersheimer told the paper that he could not deny that the money had been paid over, but did not say who had access to it.

Tighter EC policy on contracts planned

By William Dawkins in Brussels

THE European Commission aims by the autumn to complete its legislative campaign to curb national favouritism in the Ecu 400bn (£258m) public procurement market.

It plans to table by then three proposals to boost free competition for different types of publicly awarded contracts, to add to the five now in varying stages of agreement. Officials are now in the early stages of drafting a plan to extend existing EC open procurement rules to services, such as civil engineering, architecture, software and consultancy, as provided to public authorities.

A second companion scheme would apply to such services as used by companies that are either owned or heavily influenced by governments.

The Commission aims soon to start drafting the third proposal, to tighten the enforcement of free cross-border bidding procedures for state-owned companies. A related plan, tabled last year, to tighten the enforcement of free *tendering rules for public* authorities has run into serious objections from EC governments, which the Commission wants to resolve before starting work on enforcement of open tendering by state-owned companies.

All three of the forthcoming measures will need EC member states' approval to become law. Of the rest of the Commission's public purchasing programme, free cross-border tendering rules for most public supplies contracts took effect in January, due to be followed by a parallel scheme for public works and construction in mid-1990.

Two further directives, to extend free cross-border bidding rules to the formerly excluded sensitive sectors of energy, transport, telecommunications and water, were tabled last October and are now being debated by EC governments.

The directives on the so-called "excluded sectors" have attracted instant resistance from the normally free-trade minded UK, on the grounds that it does not want to impose free tendering rules on North Sea oil and gas exploration.

More than 80 per cent of contracts for prospecting and extraction in the UK sector of the North Sea – the biggest – go to British suppliers, who fear the Commission's plan is a recipe for costly disruption.

The directive on tighter enforcement of free cross-border tendering for public authorities aims to make it easier for aggrieved bidders to get quick redress in national courts, rather than having to stand in a three-year queue for a decision at the European Court of Justice in Luxembourg. While that idea has general support among the 12, they unanimously oppose a clause that would give the Commission the unilateral right to suspend unfairly awarded contracts.

Brussels will table the related enforcement scheme for public companies only after that controversy has been resolved in meetings with national officials in the next few months.

One possible solution being canvassed in the Commission would be to allow Brussels to request governments to suspend such contracts on its behalf.

Police chief dies as new Kosovo riots flare

GUNFIRE erupted yesterday on the outskirts of Pristina, the capital of Yugoslavia's Kosovo province, as rioters battled police, residents in the area said, Reuter reports from Pristina.

The residents, who reported hearing the gunfire, said it sounded as though it came from automatic weapons.

Earlier, a municipal police chief was shot dead and four other people were wounded in rioting in the small Kosovo town of Podujevo, 120 miles south of Belgrade.

Police said the police chief, Mr Jetulah Kuchi, was shot as 10,000 rioters rampaged through Podujevo in a protest against new rules that curb the autonomy of a province mainly peopled by ethnic Albanians.

Riots have erupted in several towns across Kosovo in the fifth day of increasingly bloody protests against moves that limit the impoverished southern region's autonomy. The new measures give greater power over the province to Serbia, the largest of Yugoslavia's six republics.

The new violence was the worst in Yugoslavia since at least nine people died in separatist riots in Kosovo in 1981.

As well as the fatal shooting, three civilians were wounded and another policeman, Mr Zoran Korac, was shot in the leg in Podujevo yesterday.

Journalists identified the gunfire in Pristina as coming from automatic weapons, but it was not possible to see whether the weapons were being fired at demonstrators or as a warning.

Heavily armed police in bullet-proof jackets and gas masks used tear gas and clubs to combat rioters on the edge of town on the road to Podujevo.

Water cannon were also brought in to douse the crowds as rocks and lumps of concrete flew from all directions.

Rioters smashed windows at municipal buildings in Podujevo and stoned police cars, Tanjug news agency said.

Apart from the rioting in Podujevo, clashes were reported in Klina, Lipljan and Pec, ancient capital of the Serbian Orthodox Church.

Federal Yugoslav authorities, worried at the scale of the protests and the young age of many demonstrators, appealed yesterday for calm.

"The violence and insane behaviour rocking this municipality for some time now has to stop because it leads nowhere," Communist Party officials said. Authorities said 174 rioters had been detained and 78 of them jailed.

Solidarity call for wage-price indexing raises inflation fears

By Christopher Bobinski in Warsaw

POLAND'S Banking Gazette has opposed proposals for an index link of wages to prices, forced on the Government by the Solidarity trade union.

The paper's remarks echo warnings from free-market liberals and Poland's small private sector that indexation will accelerate inflation, which already promises to exceed 100 per cent this year.

At the round-table talks, which are due to close on April 3, Solidarity countered government resistance to indexation by making it a condition of signing a political pact with the authorities.

Under the planned agreement, Solidarity, banned in 1981, is to regain its legal status in return for promising to eschew a boycott of elections in June and to play a minority role in the next parliament.

The Gazette said: "Our country's interests went unrepresented at the round-table. No one there was willing to admit that indexation would accelerate inflation and complete the disintegration of our economic mechanism."

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

					% change over previous year
	Feb '89	Jan '89	Dec '88	Feb '88	
US	114.0	114.0	113.6	108.6	+5.0
	Jan '89	Dec '88	Nov '88	Jan '88	
UK	109.1	110.4	111.3	108.2	+0.8
Japan	119.1	118.0	116.9	109.1	+9.2
W Germany	110.8	109.2	107.4	105.2	+5.3
	Dec '88	Nov '88	Oct '88	Dec '87	
France	109.6	110.6	106.4	105.1	+4.3
Netherlands	108.9	112.0	113.0	107.9	+0.9

Source: (except US) Eurostat

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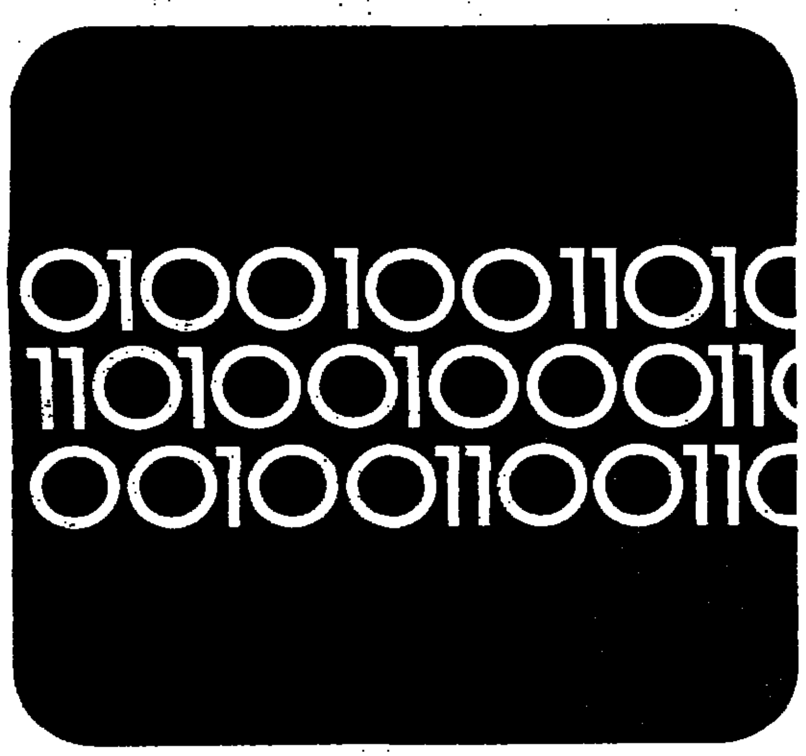

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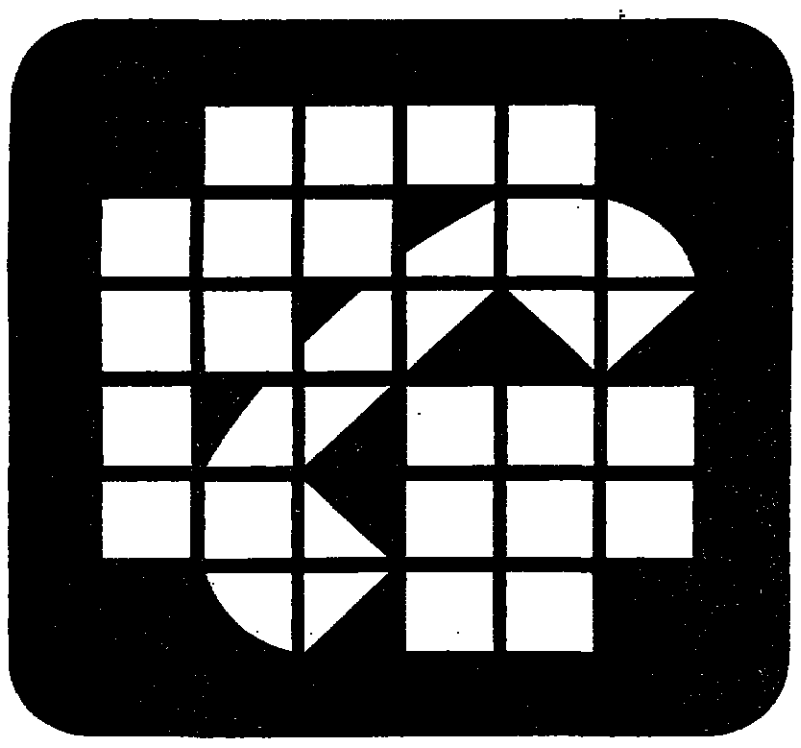

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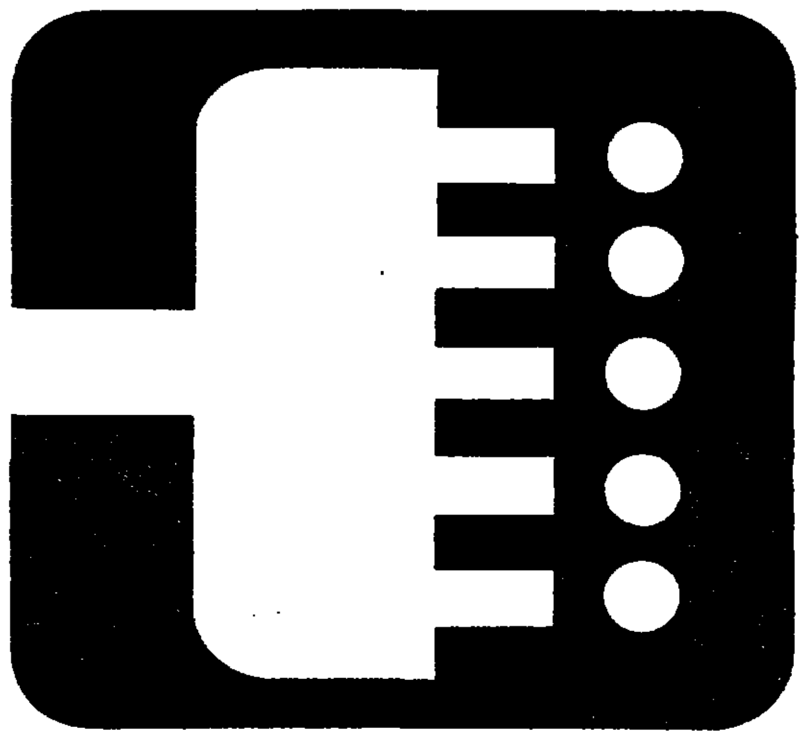

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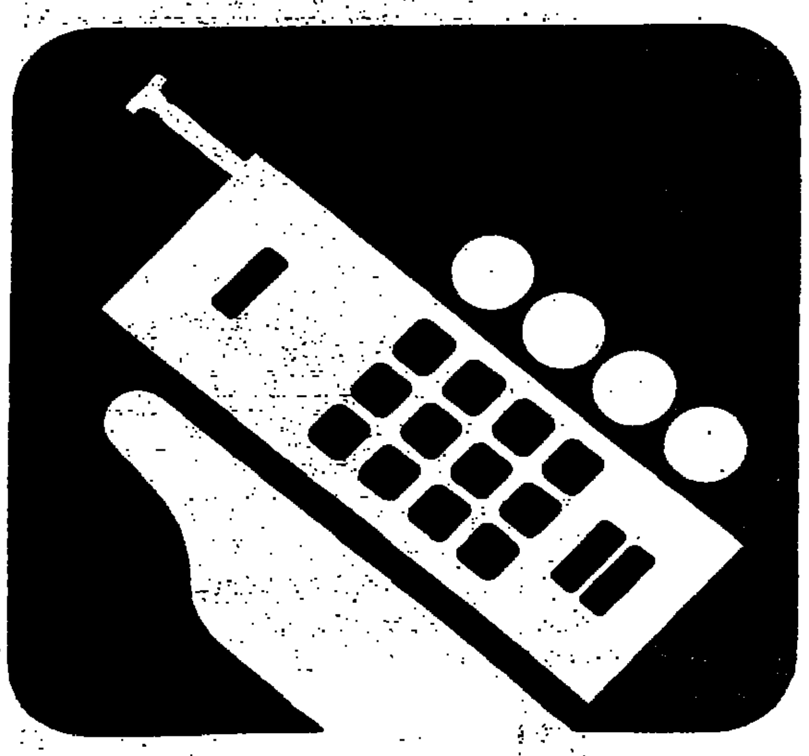

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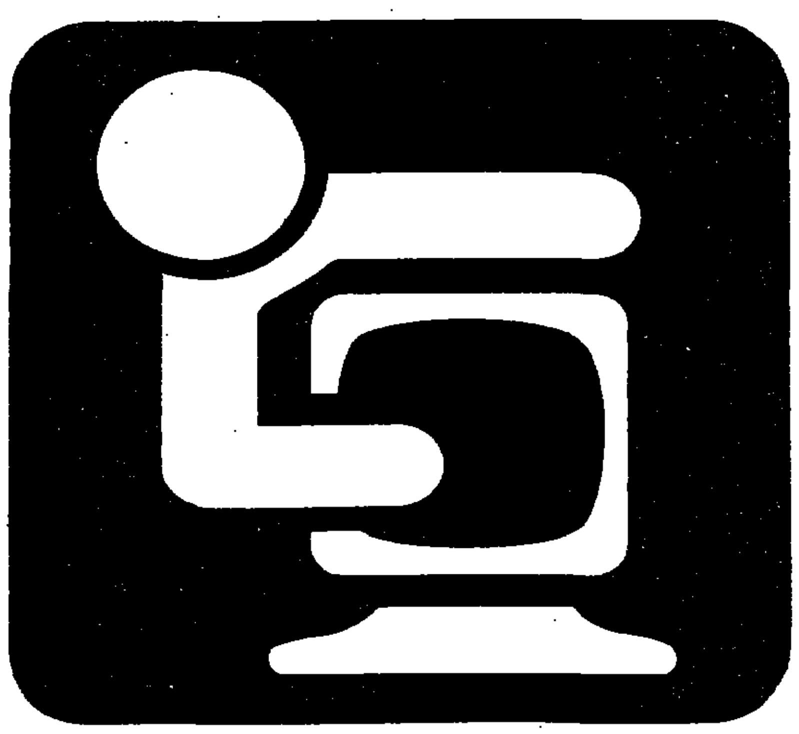

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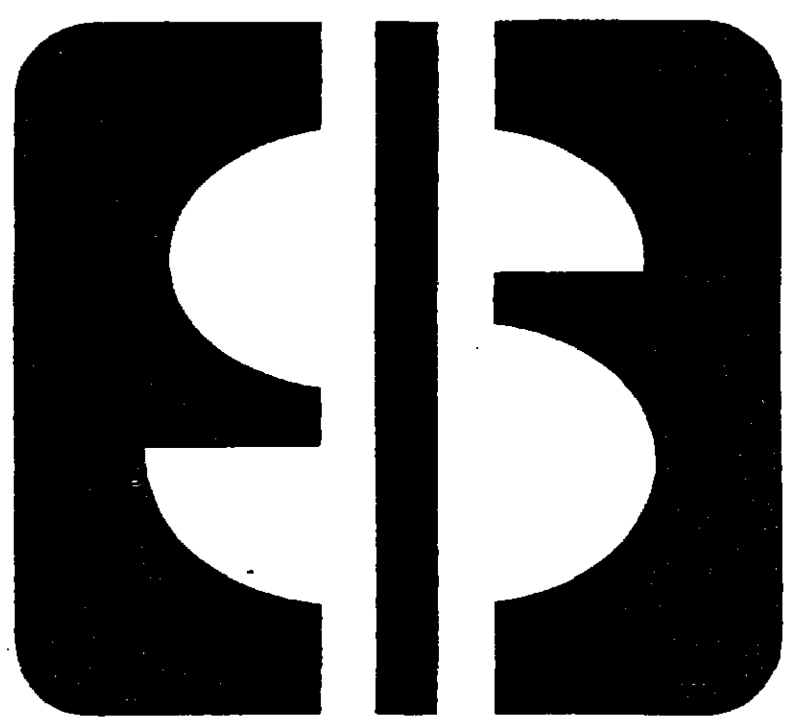

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Howe flies in to Pakistan protest over Rushdie

By Christina Lamb in Islamabad

SIR Geoffrey Howe, the British Foreign Secretary, has arrived in Islamabad for his first official visit to Pakistan under its new democratic government.

He was met at the airport by religious and political leaders *demanding a ban on the publication* of The Satanic Verses, the novel by the British author Salman Rushdie, which is considered blasphemous by Moslems.

Demonstrations planned by these leaders – and widely advertised in newspapers and during mosque prayers – were banned by the government because of security fears. Barricades were mounted near the airport and troops and riot police lined the streets.

Last month seven people were killed in protests against the book in Islamabad.

Ms Benazir Bhutto, the Pakistan Prime Minister, in a sensitive position as the first woman to head an Islamic state, insisted that those riots, which occurred while she was out of the country, were a "plot to destabilise the government," but the organisers insist it had nothing to do with politics. An inquiry is under way.

Sir Geoffrey's visit, for his first talks with the Bhutto government, was shortened to 26 hours instead of the planned three days because of security fears.

On his arrival, he was presented with a letter from seven *mullahs urging the British government* "to pass a law to provide stern punishment to those who injure sentiments of Moslems." They termed publication of The Satanic Verses "an act of war against the Moslem world."

Afterwards *Maulana Fazalur* Rehman, a member of the national assembly and leader of an influential religious party, said: "Sir Geoffrey listened sympathetically and promised to look into the possibility of amending British law to give equal rights to Moslems and Christians."

Sir Geoffrey will hold talks with Ms Bhutto, Ghulam Ishaq Khan, the President, and Yaqub Khan, the Foreign Minister. Britain is the largest foreign investor in Pakistan and talks are likely to focus on British economic aid.

Sir Geoffrey is expected to support Ms Bhutto's wish to take Pakistan back into the Commonwealth. Her father, the *late Prime Minister* Zufilkar Ali Bhutto, took Pakistan out of the Commonwealth in 1974.

It is thought that with improved relations between India and Pakistan, India will no longer veto re-entry.

Afghanistan is also expected to be high on the agenda of talks. Before leaving for India, Sir Geoffrey will meet Sibghatullah Mujadiddi, president of the newly-formed Mujahideen interim Afghan government, who will press for British recognition. So far, only three countries have afforded recognition.

● Pakistan has asked a Western aid consortium for $3bn (£1.6bn) in assistance for fiscal 1989-90, in order to implement proposed development plans of its *new* democratically-elected government.

The World Bank-sponsored consortium is scheduled to meet in Paris on April 19-20 to pledge assistance for the fiscal year which starts on July 1.

Last year, Pakistan received more than the $2.5bn in assistance pledged by the consortium. The actual amount committed by various members such as Japan, France, the *Asian Development Bank* and the World Bank came to $2.7bn.

The new government is hoping to get a sympathetic hearing at the consortium meeting and cash in on international goodwill for Pakistan's recent transition to democracy. The money is badly needed. Ms Bhutto has said: "We inherited an economy in a shambles".

Foreign exchange reserves, though still low, have improved, standing at $550m – compared with only $150m a few months ago. However, exports have been lower than *expected and Finance Ministry* officials admit that the recent fall in the rupee is partly due to money being printed to pay government wages.

Guerrillas launch new assault on Jalalabad

By Christina Lamb, recently in Peshawar

AFGHAN guerrilla fighters have launched a new offensive on the besieged eastern city of Jalalabad in an attempt to block supply routes from Kabul.

Locked into their fourth week of battle for control of the city of Jalalabad, they claim that the bombing which has prevented their advance and inflicted heavy casualties is being done by Indian pilots.

Abdul Haq, a Kabul commander reputed to have an extensive intelligence network within President Najibullah's regime, alleges that 600 Indian military advisers, including 60 pilots, have been flown to Kabul for joint aerial operations against Mujahideen guerrillas in and around Jalalabad.

He says they are based at Tahnikum technical school in the northern stronghold of Mazar-i-Sharif.

Observers are sceptical that India would risk the political consequences of one of their pilots being shot down, particularly now that Delhi's relations with Pakistan have improved. However, they admit that the pilots flying around Jalalabad have been using new formations, showing greater skill and bravery than usual from the Afghan air force.

The big offensive launched on March 6 by the Mujahideen against Jalalabad, is described by Western diplomats in Islamabad as *"getting nowhere fast"*. Having failed to make headway from the south-east, the attack has shifted to the north and west in an attempt to cut the road to Kabul, the regime's supply route.

Kabul officials admit the Mujahideen have blown up a bridge near Sairobi, halfway along the 75-mile paved road between Kabul and Jalalabad. However, they claim three unpaved roads remain open to military convoys. Supplies continue to arrive by helicopter.

Mohammed Hussain, a resistance commander, blamed the *lack of united Mujahideen command* and the concentration of the Kabul regime's militia for the high number of resistance casualties.

India takes hard line on treaties with Nepal

INDIA IS banking at renewing two trade treaties with Nepal, as a signal to its neighbours that they must reciprocate if they want trade favours, Reuter reports from New Delhi.

India last Thursday closed 13 of 15 transit points, through which landlocked Nepal conducts the bulk of its trade, on the expiry of 10-year-old trade and transit treaties.

Nepal has lost its favoured treatment under the treaties, although the flow of people across the border is unaffected. Petrol is already rationed in the mountain kingdom.

"The message is: Be prepared to reciprocate *if you* want special privileges," India's external affairs spokesman said.

Diplomatic sources said the new approach is part of a review of India's south Asian policy, aimed to make Mr Rajiv Gandhi, the Prime Minister, look tough in dealing with neighbours – including Nepal and Pakistan – in a year when he must call a general election.

The Nepal issue also puts at stake the future of the South Asian Association of Regional Co-operation, made up of Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, the Mal*dives and India.*

An Indian diplomat said that India was the linchpin of this association. "The grouping needed India more than India needed such an organisation, which "makes us give economic concessions to smaller neighbours."

That issue is at the heart of the dispute with Nepal.

On the surface, India demands unification of the trade and transit pacts to correct what it calls a one-sided arrangement.

Nepal wants them kept separate, arguing that access to seaports for landlocked nations should be a permanent right.

The deeper conflict between the countries, though, is Nepal's growing closeness with China, highlighted by Katmandu's recent purchases of Chinese weapons, diplomats said.

India, which fought China in 1962, regards the weapons deal, and the building of a road to link the Chinese region of Tibet to the India-Nepal border, as a security threat that jeopardised Nepal's role as a buffer state.

Nepal relies on India for almost half its total imports and has 6m people working in India.

India clearly wants Katmandu to put India first.

The Nepal issue would be the first step in reasserting India's status in the South Asian Association, diplomatic sources said.

India is expected to adopt a similarly tough line in dealings with Bangladesh.

Bangladesh was closely allied to India when it came into being in 1971 after an Indo-Pakistan war.

But relations with India have soured over the sharing of waters of the Brahmaputra river.

Call for fresh inquiry into Gandhi murder

By K.K. Sharma in New Delhi

A SPECIAL commissioner appointed to inquire into the assassination of Mrs Indira Gandhi, India's previous Prime Minister, by her Sikh security guards in October 1984 has asked for an investigation of his finding that "there are reasonable grounds to suspect the involvement of Mr R K Dhawan in the crime".

A special team that inquired, meanwhile, into the charge against Mr Dhawan, then one of Mrs Gandhi's principal aides, had concluded that he "had no hand in the conspiracy for the assassination of the then Prime Minister, and that there is nothing to indicate that Mr Dhawan was, in any way, involved in the crime or conspiracy".

The request for a further investigation regarding Mr Dhawan was revealed in a brief synopsis of the report by Mr Justice Thakkar, the commissioner, and in a note on the action taken on his recommendations, made available to the news media after his voluminous report had been presented to the Indian Parliament by Mr Buta Singh, Home Minister, yesterday.

The government gave no reason for not making the full report available to the media.

The report was presented to *Parliament in fulfilment* of an assurance given by Mr Rajiv Gandhi, Prime Minister and Mrs Gandhi's son, before it took a short recess 10 days ago. The assurance was given after a political storm had rocked Parliament when allegations against Mr Dhawan were published by the Indian Express newspaper three weeks ago.

Mr Dhawan was recently reinstated by Mr Gandhi as one of his main aides. Having been under a cloud for nearly four years after Mrs Gandhi's assassination, he is now, as he was when helping Mr Gandhi's mother, one of the main political aides in the premier's office.

The synopsis made available to the media says that the commissioner believes the assassination of Mrs Gandhi could have been averted if officials concerned with her security had done their job properly.

The opposition yesterday made clear it will seek a debate on the commission's report – and its representatives will attack Mr Gandhi and Mr Dhawan again – but the publication of the secret report has eased much of the political embarrassment to the prime minister created by leakage of allegations against Mr Dhawan this month.

If the report been published then, the embarrassment could have been nipped in the bud.

Singapore's foreigners flee cane

By Roger Matthews in Singapore

THE Singapore government's threat to cane and imprison foreigners who are in the country illegally has provoked an extraordinary exodus of workers, mainly *Thais. Up to 10,000* may have been repatriated by next weekend.

Thousands were again camped in the grounds of the Thai embassy here yesterday, as officials struggled to provide documentation and transport *for them* to beat the deadline on Friday.

New legislation by the Singapore Parliament allows for a minimum three strokes of the cane and at least three months in jail for foreigners who have outstayed their work permit or entered the country illegally.

Land, sea and air transport *is being* used to get the workers out. Special trains will carry up to 4,000 north, and thousands more will go on four Thai navy ships expected to arrive today. Hundreds more are leaving daily by bus.

Thai diplomats said aircraft will also be chartered if necessary.

More than 3,000 workers had already left Singapore, a further 5,000 were preparing to go, and it was forecast that at least another 2,000 would register to leave by the end of the week.

Many of the departing workers are illiterate and were *smuggled* into Singapore by local agents working with Thai counterparts. They were *employed* mainly in the *con*struction *industry*.

Brady Plan move for Japan banks

By Ian Rodger in Tokyo

THE Japanese Ministry of *Finance "will be prepared to* study" requests by Japanese banks for tax relief or accounting rule changes that would induce them to enter debt reduction schemes for developing countries under the Brady plan. Mr Toyoo Gyohten, Japan's Vice-Minister of Finance, said in Tokyo yesterday.

It would be up to the individual banks and debtor-countries to work out plans on a case-by-case basis. "I envisage that Japanese banks may come up with proposals for more flexible treatment on accounting *rules and taxation, and we will* be prepared to study that," he said.

This was a warmer reception to the idea of tax and other concessions than Ministry offi*cials indicated last week after* Mr Nicholas Brady, US Treasury Secretary, revealed his proposals for dealing with the problems of the most heavily-indebted developing countries.

Japanese banks are second only to the US in their loans to developing countries - now totalling about $80bn (£46bn) – but Ministry regulations covering lending to problem countries are much tougher than those in the US or Europe.

For example, only 1 per cent of provisions for bad debts to them can be deducted annually *from tax. Thus, they have little* incentive to write off old loans or to make new ones.

The Ministry's National Tax Agency, which is likely to take a less enthusiastic view of the *Brady plan than Mr Gyohten,* also makes it difficult for Japanese banks to engage in developing-country debt sales at discounts and debt for equity swaps.

Japanese banks set up a factoring company in the Cayman Islands two years ago to buy their developing-country debts at a discount. But the Ministry has so far allowed them to sell only limited amounts of Mexican and Brazilian debt.

Mr Gyohten said the Ministry would also be "quite prepared to study" requests to *enlarge that facility. Japan was* supportive of the Brady proposals and was already working with other governments to refine the scheme.

NTT's ex-chief on bribe charge

By Stefan Wagstyl in Tokyo

PROSECUTORS yesterday filed bribery charges against Mr Hisashi Shinto, the former chairman of Nippon Telegraph and Telephone, Japan's telecommunications concern, in Japan's widening stock-trading scandal.

Mr Shinto was charged with accepting bribes in the form of shares from Recruit, the business information company, in return for helping Recruit set up a new business to lease telephone circuits. According to the indictment, Mr Shinto also helped Recruit buy a US-made supercomputer.

Mr Hiromasa Ezoe, former chairman of Recruit, and Mr Hiroshi Kobayashi, an associate, were charged with offering the bribes to Mr Shinto.

UK NEWS

Employers' organisation predicts 'soft landing' for UK economy

UK manufacturing output 'to slow'

By Ralph Atkins, Economics Staff

BRITISH manufacturing output is beginning to slow but there is no sign of production being switched to exports, according to a survey published today by the Confederation of British Industry, the employers' association.

Output volume growth is expected to slow from exceptionally strong rates last year, the industrial trends survey shows.

Export order books remain subdued with more manufacturers saying they are below normal than above normal.

The report trails official figures for the UK trade deficit in February, published tomorrow, which are likely to show imports continuing to far outstrip exports.

London analysts expect on average a current account deficit of about £1.4bn, only slightly better than in January.

However, recent months trade figures have moved erratically and a big deficit could undermine relatively strong sterling sentiment, putting pressure on the monetary authorities to increase interest rates again.

The CBI survey provides some comfort on the inflation outlook. Manufacturers expect prices to increase at a slower rate in the next four months than shown in the last five monthly surveys.

Figures last week, showed Britain's annual inflation rate as measured by the retail prices index, reach 7.8 per cent in February – the highest since August 1982.

CBI forecasts also published today, suggest that the UK's economic growth rate will fall this year to half its 1988 rate with the slowdown being led by consumer spending.

Export growth is expected to accelerate later in 1989, encouraged by buoyant world trade and a modest sterling depreciation. No cut in base interest rates from the current 13 per cent is expected until 1990.

The March survey results show only 19 per cent of the 1,550 companies replying said export order books were above normal, while 27 per cent said they were below normal. The difference between the two percentages was a balance of minus 8 per cent.

That was similar to the balances reported in January and February but compared with small positive balance throughout last summer.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said export orders have been hit by the high level of sterling which will make it difficult to secure an improvement in the trade balance.

He added: "If interest rates remain high, some companies may be forced to cut back on their investment, even though they realise that this will be damaging to the competitiveness of British industry."

Of the companies replying, 33 per cent expect their output to increase in the next four months while 11 per cent forecast a decline.

That gave a balance of 22 per cent which was similar to the trend indicated by the last two surveys but lower than output growth expected last year.

The manufacturers reported stocks built-up in March. The difference between the percentage reporting stocks were more than adequate and those saying they were less than adequate was the biggest since January 1987.

The CBI forecasts are consistent with a "soft landing" for the UK economy. Gross domestic product is expected to grow by 2.9 per cent this year, compared with 4.6 per cent in 1988.

Exports are forecast to grow by 5.1 per cent against 0.5 per cent next year. Inflation is expected to fall to 5.9 per cent in the last three months of 1989 – slightly higher than forecast by the Treasury.

Skill shortages 'less serious' than 1970s'

By Ralph Atkins, Economics Staff

INDUSTRIAL SKILL shortages are much less serious than in the 1970s and are not a major cause of manufacturing wage inflation, according to economists at the Confederation of British Industry.

Problems of skilled labour shortages have worsened in the past decade but have been a less significant constraint on manufacturing production than demand and plant capacity, the report says.

If shortages remain at the current level, however, about half a percentage point will be added to the annual rate of wage increases in the next year. Labour shortages could also be starting to become more important than plant capacity as a constraint on production.

Mr Andrew Sentance and Mr Neil Williams, the report's authors, use CBI survey results to compare levels of skill shortages in the last 30 years.

They find shortages are currently at the average level for the 1960s and much better than the early 1970s when skill shortages were reported by twice as many companies as now. Apart from the period 1973-74, orders or sales have been a more important constraint on production.

Since 1981-83 the proportion of manufacturing companies saying shortages were affecting production has risen from below 10 per cent to 28 per cent in October 1988. This fell back slightly to 25 per cent in January.

The 1980s have also seen plant capacity overtake skilled labour shortages as constraints on output – except in the most recent survey results for January when the position was reversed.

The authors say estimated effects of labour shortages on wages are not large in terms of swings seen in the past decade. They argue skill shortages could provide a spur to productivity growth, offsetting any adverse impact on overall labour costs.

They add: "Nevertheless, the UK's rate of earnings growth has been persistently ahead of major competitors in recent years. In so far as upward pressure on pay levels caused by skill shortages has contributed to this, it has prevented UK manufacturers reaping the full reward of their superior productivity performance."

Among industrial groups, the most severely affected by skills shortages in January were manufacturers of industrial engines, pumps, compressors and electrical industrial goods and instrument engineering companies.

There appears to be only a weak relationship between output growth in an industry and skill shortages – possibly because skills in high demand are mobile across industries.

Bankers call for aid to town halls

By Norma Cohen

THE EXECUTIVE Committee of the British Bankers' Association, alarmed at the growing tensions between local authorities and their banks, has asked the Bank of England to help find a solution that will allow further lending to local government.

Last Thursday, the BBA's executive committee held an emergency meeting with Bank of England officials after deciding that the bank is not sufficiently aware of problems stemming from the decision of four local councils not to make payments under existing interest rate swap and options contracts.

Among other things, the BBA asked the banks to support changes in a Bill now pending before Parliament that would spell out the legal obligations of local authorities in loan agreements. For its part, the Bank of England is believed to remain relatively unconcerned with local authority swaps contracts, believing that damage to lenders will be slight and brief. Its main concern is that the legal uncertainties about the contracts do not damage the reputation of the City of London.

The growing concerns of the BBA come just as Salomon Brothers has issued notice of default to two local councils, Hammersmith and Fulham, and Blackburn, which owe it nearly £200,000 under several swap and options contracts. While Salomon has not filed formal proceedings to place the authorities in default, the US-based investment bank is considering all its options.

The remaining 60-70 banks which have swap agreements have decided to avoid any such moves for now.

'Licensed' teachers opposed by union

by David Thomas, Education Correspondent

THE NATIONAL Union of Teachers, Britain's biggest teaching union, is to step up its opposition to a Government proposal to ease the entry of people in mid-career into the classroom.

Mr Kenneth Baker, Education Secretary, sees the proposal, known as licensed teachers, as a key way of combating the growing problem of teacher shortages. Under the plan, to be introduced from September, mature entrants will get on the job training while attached to a school, instead of having to spend an initial year at a teachers' training college.

The NUT's annual conference, meeting in Blackpool, ordered the executive to draw up a strategy of action to oppose the proposal, which it fears could lead to a flood of inadequately trained teachers into the classroom.

Ms Ann Moran, a member of the union's executive, told the conference: "I don't want someone who has been burnt out by ICI and pensioned out at forty to be let loose in any school that I'm connected with."

The union's executive, which tried unsuccessfully to remove the reference to taking action against licensed teachers, will now consider what appropriate action can be taken.

● The NUT is to step up its opposition to business-sponsored City Technology Colleges by advising its members not to apply for posts in the new colleges. CTCs, designed for 11 to 18-year-olds in deprived urban areas, have proved to be one of the most controversial of the Government's reforms. So far, 19 groups of business sponsors have pledged £34m to CTCs.

Critics await Ulster's plans for a fairer employment future

Charles Hodgson on reaction to a measure intended to reduce discrimination at work

PLANNED fair employment legislation for Northern Ireland still faces critics at home and abroad, despite government moves to strengthen measures to combat religious discrimination in the workplace.

The Government hopes the measures, which completed their House of Commons committee discussions this week, will counter growing support in the US for tough anti-discrimination requirements on American companies in the province.

Critics still insist the bill does not go far enough to redress higher levels of unemployment in the minority Roman Catholic community and that the Government could face a struggle to convince international opinion that the legislation will be effective.

The proportion of unemployed male Roman Catholics in the province is two-and-a-half times higher than the figure for Protestants. But the Government argues that positive job discrimination in favour of Catholics is not the answer. What is required, it believes, are measures that open job and training opportunities equally.

The Fair Employment (Northern Ireland) Bill, which will return to Parliament in mid-April, reinforces existing rules against religious discrimination. It shifts the emphasis to positive efforts to improve job distribution by forcing employers to address the causes of any imbalance in their employment and recruitment practices.

The legislation will establish a Fair Employment Commission in place of the existing Fair Employment Agency, with stronger powers of investigation and direction.

It also sets up a Fair Employment Tribunal with powers to fine companies that ignore commission directions, to award damages to individual victims of discrimination and to specify remedial action. A code of practice will be published to help employers improve their employment practices.

All public-sector employers and private companies with more than 10 employees (25 for a two-year transitional period) will have to register with the Fair Employment Commission. They will be obliged to submit annual monitoring returns to the commission, showing the religious make-up of their workforce. Failure to submit returns or to respond to commission enquiries will be a criminal offence.

The need to counter growing support for the so-called MacBride principles in the US, coupled with consistent pressure from Dublin, clearly added to the urgency with which the Government brought forward its legislation.

The MacBride principles, which include a call for affirmative action to increase representation of religious minorities in the workforce and in skilled training, have been adopted by 10 American state legislatures and 12 cities.

In the Irish Republic, fair employment is seen as one of the main tests of Britain's commitment to the principles of the 1985 Anglo-Irish agreement.

The Government has mounted a vigorous campaign against the MacBride principles, arguing that they could discourage investment by US companies in the province and worsen the employment situation.

Officials accept that the MacBride lobby, with its combination of strong anti-British feeling among some Irish-Americans and a more general civil rights appeal, is difficult to counter. There is also a suspicion that some Irish-American politicians have latched on to MacBride for domestic political reasons.

Nevertheless, ministers feel the bill gives their supporters ammunition against the MacBride campaign and they argue that there is little of substance in the principles that is not now mirrored in the bill.

Mr Peter Viggers, the Northern Ireland industry minister, introduced amendments during the committee stage to clarify the Government's commitment to two key areas of the new bill – affirmative action to secure fair participation in employment, and goals and timetables setting out progress expected of employers.

Job advertising or training schemes targeted towards – but not exclusively restricted to – a particular section of the community would not be unlawful. Nor would specific employment or training schemes likely to benefit those in an area with an exceptionally high level of unemployment.

Labour argues that the bill still contains inconsistencies and omissions that weaken its intended impact. It maintains that Mr Viggers' amendments, while protecting employers against a charge of indirect discrimination, could still lay them open to charges of direct discrimination. It also argues that the Government should clearly define what is meant by "fair participation".

Labour would like to see more direct "religious-specific" employment and training schemes and has pressed for stronger rules on contract compliance. Companies not fulfilling their obligations under the bill should have public sector contracts withdrawn, it says.

The Opposition joined with Ulster Unionists in voting against the bill at second reading. Mr Kevin McNamara, Labour's Northern Ireland spokesman, warns that as the measure stands, the party is unlikely to change its stance at third reading.

While Labour clearly supports the intent behind the legislation, it feels the Government has not grasped the fact that the bill will be seen as a "political testament" to oppose discrimination. Unless the *commitment to affirmative* action, goals and timetables and monitoring of the workforce are made more explicit, domestic and foreign critics will not be silenced, Mr McNamara says.

With a Commons majority of more than 100, the Government is in no danger of defeat over the legislation. But Labour is counting on the added weight its support would give to the government campaign against the MacBride principles to press for tougher measures.

RJA-363F1F

Left 300CE coupe Right 300E saloon Others in the series 200E, 230E, 230CE, 260E, and 300E 4-MATIC

The only thing they do slowly is depreciate

One of the more remarkable performance figures of a Mercedes-Benz is how well it performs on the books. High performance is not swiftly followed by high depreciation. The 300E saloon and 300CE coupe both return impressive numbers. They have superbly balanced three litre, overhead cam, in-line six cylinder engines that combine microprocessor-controlled ignition and fuel injection to produce 188bhp.

The 300CE will accelerate from zero to 62mph in 8.2 seconds and achieve a maximum speed of 138mph (Manufacturer's figures). Under the sleek aerodynamic shape of the 200E-300E series is an uncompromisingly tough steel structure. It gives the cars their taut handling characteristics and the occupants the security of safety cell protection.

ABS anti-lock braking is standard across the seven cars. As are automatic front seat belt tensioners, variable ratio power steering and the unique Mercedes-Benz multi-link rear suspension.

A Painful Subject To Report

"In the terribly emotive business of deciding what to buy, it's all too easy to push the real cost of ownership to one side in favour of performance, fuel economy or simple old-fashioned infatuation with a certain model's styling." So said 'Auto Express' in a recent survey on 26 of the most popular makes of car.

It went on to say: "Depreciation – an ugly word for a very painful subject – makes fuel costs and garage bills pale into insignificance." In the survey the Mercedes-Benz reputation for producing painstakingly well-made cars with the emphasis on longevity suffered no erosion.

Another Victory For Mercedes-Benz

Of the cars shown to depreciate the least, the winner by a clear margin was Mercedes-Benz. The survey demonstrated that on average Mercedes-Benz cars depreciated 30% less than their nearest rivals.

This is helped, no doubt, by the fact that no Mercedes-Benz is ever designed with the assumption that an owner will tire of it or its styling. Each is built to last, to supersede any fad or passing trend. (This is reflected by 'Auto Express' who state, "Cars that change little usually fetch higher prices".) The result is a range of swift, safe, sumptuous cars that are slow to depreciate. A rare combination that Mercedes-Benz owners are quick to appreciate.

Engineered Like No Other Car In The World.

Housing trusts may offer broader role for tenants

By Hazel Duffy

THE GOVERNMENT is considering the appointment of tenants' representatives to the boards of its planned housing action trusts in an effort to save the policy behind them.

The move would be part of the campaign to win support for the scheme from tenants on some of the worst council housing estates in the country.

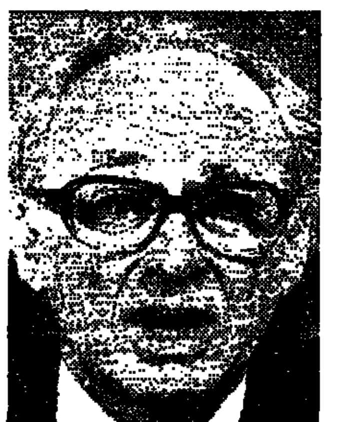
The deprived housing estates are in Lambeth and Southwark in south London, Leeds and Sunderland. The trusts would take over ownership from the local authorities if a majority of the tenants involved voted in favour.

The Government argues that the trusts, backed by substantial sums of government money, offer more hope of improving run-down estates than if they were left in the control of local councils.

No details on the composition of the boards have yet been announced. They will be appointed by Mr Nicholas Ridley, Environment Secretary.

The boards will have a similar function in planning the estates to those appointed to oversee the urban development corporations, with day-to-day management conducted by a small executive.

By promising tenants representatives on the boards, the Government hopes a majority will vote to transfer the management of the estates from local authorities to the trusts. The requirement for a ballot by tenants was conceded by the Government last year during the passage of the housing bill.



Nicholas Ridley: tenants' representatives are sought

The move would have to be handled carefully. Extreme political activists would have to be weeded out.

Ministers are also reconciled to the likelihood that the period during which the trusts operated would need to be seven years rather than the five years originally planned. A total of £192m had been allocated provisionally by the Environment Department for improving the estates over the next three years.

The money will not start to be drawn until next spring at the earliest. Plans for setting up the trusts have been delayed by the need to hold ballots, which are expected to be held in the autumn.

This will give the Government time to sell the idea of the trusts to tenants. Consultants will be appointed to explain the policy on the estates involved, presumably because they will be seen as more neutral than civil servants.

Mr Ridley said recently that his proposals for estates in Sandwell, West Midlands, would be the subject of further study, while Tower Hamlets council in east London has been invited to nominate new estates following the report by consultants that the original ones did not lend themselves to such a solution.

Tower Hamlets described the Government's invitation as "ridiculous and unthinkable." Opposition to the Government's policy from the Southwark and Lambeth councils is intense too. Many tenants have also shown hostility to the proposals.

Homework lack blamed for pupils' lag in maths

By David Thomas, Education Correspondent

LACK OF homework is partly to blame for British children's poor showing in maths compared with their counterparts abroad.

However, British children compare well in science and the gender gap in maths and science in British schools is less apparent than elsewhere.

These are some key findings of a study involving 13-year-olds in the Irish Republic, South Korea, Spain, the UK, the US and four Canadian provinces. The same maths and science questions were set to 2,000 pupils in each case.

The results were released by the National Foundation for Educational Research, the project's British organiser.

South Korea's 13-year-olds clearly came top in the maths tests, averaging a score of 568 on a 1,000 point scale.

British children notched up an average 510 points, beating only the US, who came last, the Irish Republic and Ontario's French-speaking population.

Only 55 per cent of British 13-year-olds achieved the mid-point of the study's five proficiency levels, compared with 78 per cent of Koreans.

The study blames much of the discrepancy on homework. Only a third of Korean children do less than an hour a week of maths homework, compared with 56 per cent of their British counterparts. Almost a quarter of Koreans spend over 3 hours a week on maths homework, against 6 per cent of British children.

In science, the UK was third behind British Columbia and South Korea, with British 13-year-olds spending as much time on homework as Koreans.

Moreover, the UK and the US were the only two participants where the gap between the performance of boys and girls in science was not statistically significant. The survey showed that British 13-year-olds spent more time on practical science activities than other children in the study.

A World of Differences. NFER, The Mere, Upton Park, Slough, Berks: international study and UK summary, £5.

Siemens supplies police computer

By Alan Cane

SIEMENS of West Germany has won the battle to supply the hardware for the UK's new Police National Computer known as PNC2.

The Home Office announced this week that a consortium led by Siemens and comprising the UK computing services company Software Sciences and the PA Consulting Group had won the contract, believed to be worth about £10m, ahead of two competing consortia led by International Business Machines and by Amdahl, both of the US.

Software Sciences, part of the Thorn EMI group, will work on software links between the new Siemens system and computers run by individual police forces. PA Consulting Group will have project management responsibility.

The announcement brings to an end a long and hard-fought battle for one of the most important computing contracts to be awarded in the UK this decade. The 10 months of negotiation were given added bite by the fact that the Home Office had already made up its mind about the choice of database software.

The software selected, Adabas from Software AG of West Germany, can run on some computer systems only. Therefore a number of potential suppliers, for example Unisys of the US, which provided the existing Police National Computer, and International Computers of the UK, were ruled out.

Siemens will provide two 7500/H120-P computers which are among the fastest general purpose machines available. They are capable of processing 60m instructions every second. Much of the technology in Siemens' large computers is provided by Fujitsu of Japan with which Siemens has technical and marketing agreements.

The new system is expected to be delivered to PNC headquarters at Hendon, London, later this year.

The present PNC now processes some 100,000 transactions a day and is at the limit of its capacity. The new system will have to handle at least four times the workload.

Imports make hole in shoe industry

Alice Rawsthorn on rivals who offer high quality and low cost

A FEW weeks ago Mr Roger Percival watched the last line of shoes roll off the production plant at his factory in Leicester. After 96 years in business, J Percival & Co has been forced to close.

Percival is a victim of the recession in the footwear industry. Only two years ago it was a flourishing family firm, with a workforce of 120, making children's shoes for high street stores.

But for the past year it has struggled to compete against a surge of imports from Taiwan and South Korea. The imported shoes are of the same quality as Percival's: but they are much, much cheaper.

Mr Percival was forced to drop his prices by between 10 per cent and 20 per cent in an attempt to stop his customers switching to Taiwan or South Korea. His choice was simple. He ran the risk of losing the order, or he could keep it by making the shoes at a loss.

Even so, his order books were getting thinner. By the beginning of this year, Mr Percival realised that losses were only a few months away. He and his 80 remaining employees, faced a future of idle machines, short-time working and redundancies. He decided to close.

The story of Percival is all too familiar in the footwear industry. For the past 18 months it has been hit by a rapid rise in imports from south-east Asia.

The increase has been fuelled by three factors:

- Some south-east Asian countries, such as South Korea and Taiwan, have invested heavily in footwear capacity;
- The decline of the US dollar has prompted the south-east Asians to divert consignments from the US to more lucrative markets in Europe;
- The pound's strength has made the UK one of the most attractive European markets.

BRITISH SHOE INDUSTRY

	IMPORT PENETRATION%	EMPLOYMENT
1980	47	64,300
1981	53	57,400
1982	55	53,500
1983	56	51,400
1984	61	52,800
1985	59	51,700
1986	58	53,200
1987	63	52,700
1988	65	49,000*

*estimate

Sources: Business Statistics Office; Customs & Excise; Department of Employment

As a result the influx of imports into the UK increased by 6 per cent to 188.6m pairs in 1988, according to the British Footwear Manufacturers Federation. The level of import penetration rose by 2 per cent to 65 per cent during the year. The intensity of the pressure on the UK industry is illustrated by the fact that import penetration was lower than 50 per cent in 1980.

The men's shoe makers, which tend to concentrate on more expensive footwear, have emerged unscathed. The problems have been concentrated among the women's and children's shoe companies which bore the burden of the 2.5 per cent fall in output – to 122.6m pairs worth £909m – last year.

Initially, the industry managed to withstand the pressure. But as the months have rolled on – and the level of overseas competition has intensified – the women's and children's shoe companies have become much more vulnerable.

Percival is only one of a number of companies to have closed in recent weeks. A few weeks ago Dysche Rosen in Hull announced that it would be forced to close - unless it found a buyer – with the loss of 250 jobs.

The BFMF estimates that employment across the industry fell by 7 per cent – by almost 4,000 to 48,900 – in the 12 months to October. The rate of job losses is likely to have accelerated since October reflecting the worsening of the industry's difficulties.

In the short term the industry's prospects will be determined by the pattern of consumer spending. The industry is now in something of a seasonal hiatus: it has completed spring orders and is waiting for repeats. If spending is strong, it should benefit from repeat orders: but if spending is weak, the painful cycle of cautious retail buying and increasing imports will continue.

The industry's long-term prospects depend on its ability to claim a competitive advantage over its south-east Asian competitors. Those competitors have a clear cost advantage because of low labour costs, but traditionally the Europeans have been able to score on quality and design. However, the Taiwanese and South Koreans have recently invested so heavily in new capacity that the standard of their output now matches that of the Europeans.

The only hope for the UK industry is to use new technology to erode the labour cost advantage of the south-east Asians and to claim an advantage by offering a faster, more flexible service to customers.

But the level of automation in the footwear production process is still comparatively low. There have been some advances – such as automated assembly lines and computerised sewing machines – but footwear is still a labour-intensive industry.

Moreover, new technology is expensive. A large company, like the FII Group, has invested heavily in "quick response" programmes at its factories. But the capital required to instal new equipment and increase raw material stocks is beyond the means of the smaller companies.

For companies like J Percival there is no future. Most of the workforce has already left and Mr Percival fills his days with the depressing tasks of contacting creditors and selling off machinery.

He has been offered other jobs by footwear companies. But he is uncertain whether to accept, because "I am not sure whether there is a future for the industry in the UK and I do not want to spend the rest of my life banging my head against a brick wall."

Finnish product first to reach water industry's new standard

By Richard Evans

THE FIRST product conformity certificate to be issued under the new Water Industry Certification Scheme (Wics) has been awarded to Uponor, a Finnish-based plastic pipes group with growing interests in the UK.

The significance of the award, presented by Mr William Courtney, chairman of Wics and of Southern Water, is that it marks the first stage in what is intended to become a national scheme of product certification.

Until now fragmentation in the water industry has meant that manufacturers have had to sell products separately to the water authorities and the 29 statutory water companies, which have to carry out quality tests individually.

The Wics scheme, launched last October, provides certification for product conformity across the industry and for quality management systems to ensure that the products are handled properly.

The scheme has been sponsored by the Water Authorities Association, the Water Companies Association, the Convention of Scottish Local Authorities and the Northern Ireland Environment Department. The aim is that it should be self-sufficient from registration fees within three years.

Among the expected advantages are the avoidance of multiple assessment by each authority and company, improved marketability of a product, and the provision of better quality products because of the high standards needed to gain a certificate.

The first chosen product is a uPVC gravity sewer and drainage pipe system which combines the benefits of flexible uPVC pipes and fittings with a structural design providing major improvements over traditional sewer and drainage pipes.

Uponor's UK bases are in Leeds and Newton Aycliffe.

No appeal on pensions decision

By Eric Short, Pensions Correspondent

THE VAUXHALL Pensions Action Group has decided not to appeal against the High Court ruling on Wednesday that the Vauxhall pension fund trustees had acted within their powers in agreeing to new pension arrangements by Vauxhall Motors.

Mr David Bullard, founder of the group, said the decision not to appeal was being communicated to the trustees and the company by its solicitor.

Under the previous pension scheme trust deed, the trustees had been barred from paying any surplus from the scheme back to the company. The new pension arrangements lift the restriction so that any surplus can be paid to the company. At the High Court hearing it was claimed that the surplus was at least £80m.

In return for lifting the restriction the new scheme will provide improved benefits, and the company guarantees the financial solvency of the contractual benefits.

The Vauxhall Pensions Action Group was established by Mr Bullard, a retired Vauxhall Motors employee, and other people, to oppose the arrangements on the grounds that the trustees in agreeing to the changes had acted outside their powers.

Costs, understood to be more than £100,000, were awarded against Mr Bullard, Mr Malcolm Clydesdale and Mr John Audley.

However, Mr Bullard stated that he was prepared to meet the entire costs himself, even though it meant "selling his house and moving to a bedsitter."

The trustees expressed their satisfaction with the High Court verdict but said that the question of reclaiming costs had not yet been discussed and they had no idea when they would be meeting to consider the situation.

Mr Bullard said he hoped that the Government would take notice of his action group's experience and establish a cheap and easy means of arbitrating on pension complaints through a pensions tribunal, as recommended in a recent report from the Occupational Pensions Board.

Buy-out at Falmer jeans group

By Alice Rawsthorn

MANAGEMENT at Falmer International, one of Britain's best-known jeans companies, has won control of the company in a buy-out.

Falmer has been making denim jeans and leisurewear for men and women since the early 1960s. It now employs 1,000 people and has two jeans factories in Scotland.

The management team, led by Mr David George as managing director, has bought the business from Mr Alan Landau, Falmer's founder, for an unspecified sum. The buy-out was co-ordinated by Spicers Corporation Finance, part of the Spicer & Oppenheim accountancy group. Bank of Boston and Hambros provided capital for the deal.

Mr George said his team intended to expand Falmer by revitalising existing products and diversifying into new product areas. The money raised for the buy-out includes a sum which will be ploughed back into the company to finance product development.

Falmer, which mustered sales of £34m last year, is currently strongest in women's wear. The buy-out team plans to expand its activities in men'swear and possibly to diversify into children'swear.

The £932m UK jeans market has become increasingly competitive in recent months. In the early 1980s the jeans industry was hit by a sharp decline in demand for denim jeans. The success of Levi Strauss's 1950s-style advertising rekindled demand in the mid-1980s.

For the last year or so the jeans companies have faced more competitive conditions. The market is dominated by Levi and Pepe, which has expanded rapidly in the 1980s. Some of the old established companies, such as Wrangler and Lee Cooper, have lost ground.

The main manufacturers have invested heavily in advertising this year to protect their positions in the market.

Growth halts in coffee market

By Christopher Parkes, Consumer Industries Editor

GROWTH in the value of the British coffee market ground to a standstill last year, while tea advanced 3.5 per cent despite a 1.5 per cent fall in volume sales.

Figures from a report on the hot beverages market to be published shortly by Nestlé, maker of Nescafé, show that total retail coffee sales of £608m in 1988 were the same as in 1987.

However, instant coffee managed a 1 per cent increase to £551m, while ground coffee sales fell back almost 10 per cent to £57m.

The report said consumption of hot drinks would remain static at around 100bn cups a year during the 1990s, and the value of the business was likely to increase only slowly.

Growth in the instant coffee market last year came from the increased popularity of premium brands and decaffeinated coffees, Nestlé claimed. But the small advance reflected poorly on the effect of the £51m that instant coffee makers poured into advertising – half spent by Nestlé to support its 53 per cent market share.

General Foods, the US maker of Maxwell House, had 22 per cent of the market, and Brooke Bond, maker of Red Mountain, 7 per cent, the report said. Retailers' own-label brands lost ground and ended the year with 19.6 per cent.

Advertising expenditure for the total hot drinks sector rose 16 per cent during the year to £87m, £25m of which was spent on tea. Brooke Bond, the Unilever subsidiary, had a 29 per cent share of the market.

Northern Rock uses BES for rent scheme

By Ian Hamilton Fazey, Northern Correspondent

NORTHERN ROCK, the Newcastle-based building society, has become the first UK building society to use the Business Expansion Scheme to move into the rental market.

It has formed a specialised subsidiary called Homes Intown and is targeting mobile professionals working in hospitals, universities or for the airlines who need rented housing near their places of work for about two years.

The subsidiary is to be funded by a £5m BES fund sponsored by Baring Brothers. The scheme has not been advertised generally but was launched last week by direct mail to the society's members and to Baring's clients.

Although £2.3m of subscriptions have so far been received, £2m is from another building society, Nationwide Anglia. The offer closes on Friday but Mr Leo Finn, who will run the subsidiary, said the level of inquiries suggested the target would be met. The minimum subscription is £1,000.

Homes Intown is starting with a stock of housing bought in advance and transferred to it by Northern Rock Housing Trust, the society's development subsidiary. This makes it different from most BES assured tenancy schemes, which tend to develop property from scratch.

The schemes were introduced by the Government to encourage individuals to invest in reducing the UK's shortage of good rented accommodation in the major cities. The trend has been increasingly to owner occupation, but differing house prices around the country have proved a disincentive to mobility.

BES works by giving individuals full tax relief at their top rate on venture capital investments in approved funds or projects.

It was originally designed to help small businesses to grow. The money has to be left for a minimum of four years and any gain is regarded as long-term capital.

Homes Intown's present stock of housing is in Newcastle, near the university, and in Leeds, near a large hospital. Target clientele includes academics and medical professionals, or senior managers posted north for a limited period. Property is now being sought in west London and Sussex to provide homes for airline and airport staff.

Mr Finn said it was policy to buy new property to keep maintenance costs low. Initial purchases at £39,750 each were worth now £50,000. He added: "We think the owner-occupied market is becoming saturated and that many building societies will want to move into the rental market. There is always a great advantage in getting in first."

UK NEWS

Deeside scheme awaits decision on public inquiry

By Anthony Moreton, Welsh Correspondent

THE £250m Deeside Waterfront development by the Dee estuary in north Wales has been given the go-ahead by Alyn and Deeside council and could now lead to a crisis between two government departments.

The application to develop the site, which used to be part of British Steel's Shotton works, into a marina, leisure, housing and giant shopping centre, will now go to Mr Peter Walker, Secretary of State for Wales, for a decision on whether a public inquiry should be held.

Coincidentally, Mr Nicholas Ridley, Environment Secretary, has called in a proposal for an out-of-town shopping centre in Chester and a public inquiry is to be held before that scheme can proceed.

Critics of the Deeside project – such as Delyn borough council in north Wales – claim there are no grounds for two shopping centres so close together. They say it would be better if the Deeside project, a joint development involving Clwyd county council and Tarmac as well as Alyn and Deeside, were devoted to manufacturing industry.

Differences in planning rules for England and Wales mean Mr Walker does not have to refer the Deeside application to an inquiry whereas Mr Ridley has had to arrange one for the Chester site. Mr Walker could, therefore, approve the Deeside scheme even before the public inquiry on the Chester project gets under way.

Work on the Deeside scheme is expected to begin early next year, long before the Chester inquiry is expected to reach a decision. Suggestions by Tarmac's project director, Mr Alan Mitchell, that a joint inquiry might consider both schemes are understood to have been rejected by the Welsh Office. It has been pointed out that the Deeside application is a matter for the Welsh Office only.

Mr Mitchell said that "the Deeside Waterfront is a superb scheme that is just right for the area and will benefit the region as a whole on both sides of the border." Mr Edgar Jones, chairman of Clwyd's economic development committee, said the project "will give a new perspective to the whole area and lead to a new era of dynamic inward investment."

Companies face steep increase in audit costs

By Richard Waters

AUDITS are likely to become considerably more expensive for between a quarter and a half of the UK's 800,000-900,000 small companies as a result of new Auditing Practices Committee rules.

The rules come close to outlawing a form of audit report that auditors have hitherto been permitted to produce after carrying out little or no audit work.

This report, known as an Example Six report, states that a company's auditors have "accepted assurances from directors" when examining a company's accounts.

Since auditors know they can fall back on the Example Six report, they do not have to do any audit work.

Mr David Tweedie, chairman of the committee, said: "We were concerned that people were not doing a proper audit before producing an audit report. Under the old system, you've had firms doing proper audits which have been undercut by others which weren't."

According to one estimate, this would enable a company which would have had to pay £2,000 for a proper audit to buy one for something like £500.

"We've now said that that really isn't good enough," said Mr Tweedie.

Between a quarter and a half of all small companies now receive an Example Six report. Although some of these are produced after a thorough audit, it is believed that many small companies will find their audit costs rising as auditors are forced to do more extensive work.

Not all accountants agree that Example Six has been abused by auditors. Mr Timothy Quin, who chaired the working group that drew up the new rules, said: "In many cases, full audits have been carried out."

Auditors have often been mistakenly giving an Example Six report rather than a clean, unqualified report, he said.

The committee's new rules still permit auditors to use a version of the Example Six report "in exceptional circumstances."

Use of this type of report is likely to be kept under close scrutiny after the present Companies Bill comes into force: the new law will require more rigid monitoring of auditors by professional bodies.

N Sea oil find has companies over a barrel

Shell and Enterprise must compromise on developing disputed field, says Steven Butler

THERE WAS a slightly, but unmistakeably, sheepish look on the face of Mr Peter Everett, director of Shell UK's oil exploration and production operation, when he was asked: "What on earth was Petrel?"

Petrel was Shell's biggest UK oil "discovery" last year, so big, in fact, that Shell was able for the first time in seven years to find as much oil in the North Sea as it produced in a single year. The field has at least 300m barrels in it, and possibly many more.

But Shell did not find it after all. Petrel was instead something of a gift, stumbled across, undoubtedly through pure beginners' luck, by that upstart in the oil business, Enterprise Oil, which because of that discovery and other acquisitions last year has suddenly been catapulted to heights where it is now the biggest pure oil exploration and production company in the world. Alas, Enterprise is still just a small fraction the size of Shell.

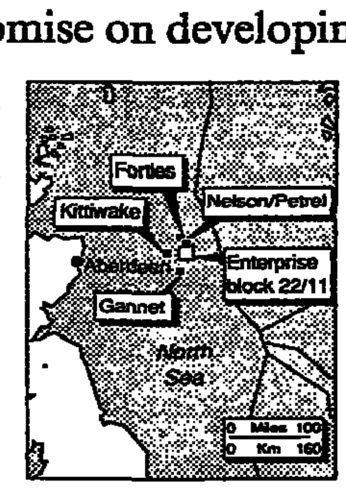
If anyone is confused after reading this far, it is because to most of the world, outside the confines of Shellmex House on the Strand in London, Petrel is known as Nelson, which was what Enterprise christened the field in March last year in honour of the British naval commander.

Renaming the field after a seabird – in accordance with the names of other Shell fields in the North Sea – is just the opening shot of a skirmish between Enterprise and Shell over who will develop the field and who owns how much of it. There are no doubt plenty more, less dignified, jostlings behind closed doors as the companies proceed with negotiations.

It is something of a David and Goliath contest – Shell by many measures is the biggest oil company in the world – except for the fact that Shell and Enterprise in the end have no choice but to compromise and work together as partners.

This is because the reservoir that Enterprise found, after boldly accumulating a 100 per cent interest in a central North Sea licence block, spills over into a licence block operated by Shell, in which Shell and Esso (the other contender for the world's Number One oil company spot) each have a 50 per cent interest. Shell operates the block for the 50-50 Shell-Esso joint venture throughout the North Sea.

Both Shell and Enterprise have said the majority of the



reserves lies on their own side of the line and geological data is delightfully ambiguous.

Enterprise wants dearly to develop the field itself. It would be a landmark step for a company that has grown rapidly by exploring and dealing for oil.

It now has more than 1bn barrels of reserves and is worth more than £2bn. But it has never developed an oilfield from scratch.

Aside from contributing to Enterprise's maturing as a company, it is natural for Enterprise to want to develop the field itself because it would have direct management control over a big asset. It would not have to, in effect, pay for the management services provided by another company over which it has little control. And it would give the company a chance to try out its "lean and profitable" management philosophy in a new part of the business.

Although neither Shell nor Enterprise want to talk about their private negotiations, Shell is presumed to be telling Enterprise that it is time move aside and let the big boys go to work.

Shell, as a company, has vast experience developing oilfields. Enterprise has none, although its staff, many of whom are exiles from Big Oil, have been in the business for years.

Shell is also certainly levelling an implied, if not explicit, threat: that if Enterprise does not back off, Shell will let its huge wheels of bureaucracy grind interminably and allow the smaller, more vulnerable Enterprise to wait for the revenues which the field promises.

All the cards are not necessarily in Shell's hands. Enterprise did not get where it is by backing down from a challenger. And although the field does not have the same financial significance for Shell as it does for Enterprise, Shell also has reason to want to move quickly. Its own production in the North Sea is falling and Nelson would help to revive it.

Shell also has a big, permanent staff that is anxious to have a piece of the action on Nelson, which could be co-ordinated nicely with its Kittiwake and Gannet development projects.

One compromise for Enterprise would be to offer to bring in the Shell staff, and involve them closely in the project team.

Shell would also have to consider whether it would suffer should Enterprise, in frustration, take its case to the Department of Energy, accusing Shell of stonewalling.

After all, Enterprise found the field, and whatever the split of reserves between the licence blocks, Enterprise will certainly emerge with the biggest individual interest – 50 per cent compared with Shell's and Esso's 25 per cent each – should the field be evenly divided.

Given the climate of public and political opinion in sympathy with the dwindling oil independents, many of which have been subject to corporate takeovers, it is by no means clear that in the end Enterprise will be the one to cave in.

Ferranti is awarded £50m Tornado systems orders

By David White, Defence Correspondent

FERRANTI INTERNATIONAL, the defence and electronics group, has secured more than £50m worth of contracts to supply display systems for the Royal Air Force's older Tornado fighter-bombers.

The equipment is for the mid-life update of about 250 RAF Tornado GR1 aircraft and could lead to further deals for West German, Italian and Saudi Tornados and other aircraft.

The orders include the "head-up display" system, which enables the pilot to read vital information without looking at instruments.

Ferranti Defence Systems won the deal against Smiths Industries, suppliers of the current GR1 head-up display, and GEC Avionics. The new system will be brighter, assisting pilot operation in difficult light.

Other equipment to be supplied from Ferranti's Edinburgh-based Display Systems Division is a terrain-following display, a digital map generator and a computer symbol generator.

Development contracts for the systems total more than £10m and the company said production contracts would amount to more than £40m.

BZW head likely to chair banking group

By David Lascelles, Banking Editor

THE FIRST permanent chairman of the newly constituted British Merchant Banks and Securities Houses Association is likely to be Sir Martin Jacomb, chairman of Barclays de Zoete Wedd, the investment banking arm of the Barclays group.

The BMBA replaces the Accepting Houses Committee as the main trade group for the merchant and investment banking community. Unlike the exclusive AHC where membership was restricted to independent, UK-owned merchant banks, the BMBA will admit all suitable UK and foreign financial institutions.

Sir Evelyn de Rothschild, the chairman of Rothschilds who was also the last chairman of the AHC, agreed to act as interim chairman of the BMBA until a permanent figure could be found. He will step down later in the spring.

The intention was that the new BMBA chairman would come from outside the UK merchant banking community to emphasise the wider constituency it was set up to represent.

There were suggestions that the chairman might even be non-British to reflect the City's international character. But this was felt to be premature.

Instead, Sir Martin's name is now being canvassed in advance of the BMBA's meeting on May 2. Although he is a merchant banker by origin (he previously worked for Kleinworts), the fact that he now heads a company owned by a

Sir Martin Jacomb: his name is being canvassed

clearing bank qualifies him as a representative of the BMBA's wider membership.

Under the BMBA's rules, he would also have to be approved by the Governor of the Bank of England.

The BMBA is finalising the new membership list, which looks like reaching about 80 British and foreign banks and securities houses.

Plans are said to have gone ahead smoothly except for a problem with Japanese authorities who inquired why institutions needed to join both the BMBA and the Securities Association, which oversees the securities industry.

The BMBA explained that one was a trade association and the other a regulatory organisation, and that their functions were different.

Institutions from abroad open in City

By David Lascelles

LONDON continued to attract foreign banks strongly last year, but the rate of opening in the City of foreign securities houses slowed, possibly reflecting the problems affecting financial markets.

A survey by Noel Alexander Associates, the City research and consulting firm, says that 32 banks arrived last year.

However, there were 17 departures, leaving a total of 479.

The largest number of new arrivals came from Europe, with a net increase of 12 to a total of 202. The number of new Japanese banks was four, down from six in the previous year, bringing their total to 50.

Although three new US banks arrived, eight departed, reducing the total to 59. The number of US banks in London has dwindled steadily since its peak of 77 in 1982.

The total number of foreign securities houses in London increased by one to 156, with five arrivals and four departures.

The US contingent – the largest – remained unchanged at 54, as did the Japanese at 41. There were three more European securities houses, bringing their total to 24.

The figures point to the strong growth of the continental European presence in London, indicating its appeal at a time of closer financial integration in the region.

However, they also show that securities houses are more wary of expanding overseas when sluggish markets and intense competition are causing widespread losses to participants in the London securities business.

Foreign Bank and Securities Houses Survey. Noel Alexander Associates, 91 Gresham Street, London EC2V 7BL.

Alma sweets transfer will cost 200 jobs in Bury

By James Buxton, Scottish Correspondent

ALMA, the privately-owned Scottish confectionery group, is closing a plant at Bury, near Manchester, and transferring its production to Dundee. Two hundred jobs will be lost at Bury and a similar number created at Dundee.

Mr Mario Maciocia, Alma's executive chairman, said the company was investing £6.5m at the James Keiller sugar confectionery plant at Dundee. He hoped some of the Bury staff would take up offers to relocate in Dundee.

Alma, which had sales of only £1.2m in 1983, has seen its turnover treble from about £20m to £60m in the past six months thanks to its acquisition last year of the confectionery interests of Barker & Dobson, the supermarket chain. It now claims to be the fourth largest sugar confectionery maker in Britain.

Mr Maciocia, whose family emigrated to Scotland from Italy at the beginning of the century, said the closure of the Bury plant was necessary because of its heavy trading losses. He said the company was benefiting from the results of an aggressive international sales drive.

The group, which employs 1,100 people, has plants in Stockport, near Manchester, where it is investing £1m and creating 60 jobs, as well as Dundee and its original plant in Kirkcaldy, Fife.

The Barker & Dobson acquisition brought Alma up-market adult brands, such as Keiller's butterscotch, to add to its successful range of children's sweets.

Legislation on Sunday trading urged

By Maggie Urry

THE Shopping Hours Reform Council, a group lobbying for relaxation of Sunday trading laws, is pressing the Government to legislate on the issue in the next parliamentary session.

Recently the Cabinet drew up a provisional list of bills for the Queen's Speech, the programme of legislation, due in the autumn, but it did not contain a bill to reform the Shops Act 1950, which is considered to be outdated.

After a meeting of the SHRC on Thursday, Sir Basil Feldman, chairman of the council, said the Government should honour its election manifesto commitment to "bring sense and consistency" to the law on Sunday trading.

He added: "A law which is not observed, not enforced and is clearly discredited, brings the whole of the law into disrepute."

An attempt to introduce complete deregulation in 1986, following the recommendation of the Auld Committee set up by the Government in 1983, was defeated.

The SHRC has proposed a compromise, under which large shops could open between noon and 6pm on Sundays. It says the compromise is supported by retailers generating 75 per cent of UK retail sales.

Mr Timothy Renton, the Home Office minister responsible for the issue, has said he believed the compromise could provide the answer to the problem. He added: "Before the Government takes a decision, it will wish to be assured that a proposal will be acceptable to Parliament."

The European Court is expected to rule before the Queen's Speech on whether the Shops Act represents a restraint of trade and therefore contravenes EC regulations.

J Sainsbury, the food retailer, has joined the SHRC. Other retailers supporting the campaign include Tesco and Asda, food retailers; W H Smith, the newsagent, stationer and bookseller; Kingfisher, the former Woolworth Holdings which includes B&Q, the DIY chain; Lowndes Queensway, the furniture and carpets group; Texas, the DIY chain, and Storehouse, which includes BHS, the chain store.

Savoy Hotel chief leaving

By Nikki Tait

MR WILLY BAUER, general manager of the Savoy Hotel, is to leave the group. A formal announcement about his departure is expected today.

Mr Giles Shepard, managing director of Savoy Hotel, the luxury hotel group which takes in the Savoy, Claridge's, the Lancaster in Paris and other hotels and restaurants, yesterday confirmed that Mr Bauer had notified the group of his departure. He said he believed Mr Bauer was to become general manager of the Beverley Wilshire at Beverley Hills, California.

Mr Shepard added that Mr Bauer's departure had not come as a complete surprise.

Mr Bauer joined the Savoy from Trusthouse Forte, the larger hotel and catering group built up by Lord Forte, where he had spent some 18 years. THF has been waging an eight-year battle to win control of the Savoy group.

In one of the periodic skirmishes between the two groups last June, Mr Rocco Forte, chief of THF, was reported as promising to dismiss Mr Bauer if THF ever acquired the Savoy. Mr Forte complained that Mr Bauer was receiving a salary of £180,000 a year.

South Wales nappy factory to close

A COMPANY that makes disposable nappies is closing its factory in south Wales with the loss of 186 jobs.

Most of those affected by the closure of the Celatose plant at Ebbw Vale in Gwent are women machinists.

Ministers plan compensation for noise near new rail lines

By Rachel Johnson

PEOPLE living near new railways will be able to claim noise compensation for the first time, according to proposals being drawn up by the Department of Transport.

The department has never before established model standards for noise protection and has said that it does not wish to see any created.

However, the protest against British Rail's proposals to build a high-speed rail link through densely populated areas of south London and Kent had caused the department to rethink its position.

"BR has not built a new railway on such a major scale as the Channel Tunnel rail link for 100 years, and we now think a standard is required," the department said.

It is likely to recommend a standard along the lines of the 1973 Land Compensation Act, which protects residents living near new or altered roads. Residents detecting more than 68 dBa (the units used for measuring environmental noise) are entitled to secondary insulation for their houses.

Those living near new railways will be able to claim similar compensation, although BR has proposed a higher level of 70 dBa as the "trigger point" for compensation along the rail link route.

Mr Richard Galbraith, a consultant in noise, acoustics and vibration, said that 70 dBa was "the maximum people ought to be subjected to."

BR is suggesting this higher level on the grounds that train noise is intermittent, and not continuous like that from a busy road. It is expected BR and the department will come under pressure to lower the trigger point to 65 dBa.

A Lords committee last week refused to adopt a proposed level of 70 dBa for the new extension of the Docklands Light Railway to Beckton, east London. The committee came to a judgment that 65 dBa was a "more generous and beneficial" trigger point.

London Regional Transport, developer of the Docklands Light Railway, argued against the judgment on the grounds that the lower level would require an extra £2m in compensation grants to affected residents. It would also set an unwelcome precedent for new railway developments.

Baroness Fisher, on the Lords committee, said she was sure the lower level proposed in committee would be invoked as a precedent by those affected by the Channel Tunnel link and the proposed light railways in Croydon, Bristol and Southampton.

That would have serious implications on cost, as the lowering of the trigger point to 65 dBa means a five-fold increase in the number of people entitled to compensation grants along the Docklands route.

CONSTRUCTION CONTRACTS

January orders rise sharply

By Andrew Taylor, Construction Correspondent

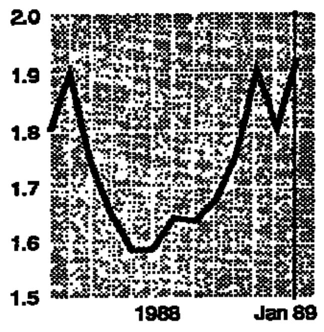
CONTRACTORS' order books in the UK rose sharply in January according to figures released by the Environment Department. These show that £2.46bn of orders were recorded in Great Britain in January compared with almost £2bn in December.

Private commercial orders of £909m, of which offices accounted for £502m, were the second highest monthly figure since last June. Private industrial orders of £294m, of which factories accounted for £179m, were the third highest since June. Private housing orders have dipped since last summer. Orders of £623m in January were the second lowest since June. Only December, when £564m of orders were recorded, was lower.

The value of public sector orders also rose in January as spending departments moved towards the end of the financial year. Public sector orders, other than housing, which include roads, sewerage, railways, power, schools and health investment, rose to £545m in January comparerd with £495m in December and £373m in November.

Public housing orders, which provides a much smaller proportion of construction output these days, rose to £89m in January compared with £55m in December. The January total however was lower than the £119m recorded in November.

Construction orders



The Department's figures show that construction orders have continued to rise in volume as well as in cash terms. Total orders during the three months to the end of January were 11 per cent higher than during the previous three months, after allowing for inflation and making adjustments for seasonal variations. Orders were 18 per cent higher than during the corresponding three months a year ago.

Private commercial orders on the same basis were 10 per cent higher than during the previous three months and 29 per cent higher than during the corresponding period a year ago. Private industrial orders were 20 per cent and 29 per cent higher.

Transforming steelworks into shopping centre

BISON CONCRETE, through its central division at Lichfield, is supplying over £1m worth of precast slabs and staircases to one of the largest current developments in the Midlands.

At Merry Hill in Brierley Hill, West Midlands, Richardson Developments is transforming the site of a traditional Midlands steelworks into a shopping centre and car park.

The development is taking place in several phases. Bison has so far supplied 70,000 sq metres of drycast hollow core and solid composite slabs and over 90 cu metres of precast stairs.

Building offices in Edinburgh

WIMPEY CONSTRUCTION UK has been awarded a £8.2m management contract by St Andrew Securities for the Apex 8000 office development in Haymarket Terrace, Edinburgh.

The contract involves erection of a seven-storey building with a floor area of about 10,000 sq metres, five floors of open-plan offices and 146 car parking spaces on two levels. The three inter-connected, individually serviced units within the envelope will feature raised access floors, facilities for air-conditioning, installed as users require, marble-lined entrance foyers and glass wall-climber lifts beneath a glazed atrium.

Foundation work will require removal of substantial foundations followed by contiguous piling. In the process, Wimpey will widen Devon Place to incorporate a lay-by, and the contract is due for completion in the spring of next year.

Reservoir project in Jersey

SHEPHARD HILL is to build the Queen's Valley Reservoir in Jersey. The Jersey New Waterworks Company has awarded the £12.45m contract to Shephard Hill & Co. of Hillingdon, Middlesex, and a start on site will be made at the beginning of April so that the reservoir should be in operation by July 1991.

The scheme, which has been designed by Watson Hawksley, includes two dams and a pumping station as well as a draw-off and overflow tower leading into a 140 metre long tunnel.

A feature of the main dam, which is 25 metres high and 170 metres long, is that the core will be constructed with bituminous concrete whereas the 12 metres high intermediate dam is to have a reinforced concrete membrane.

Bovis in £200m British West Indies resort development project

BOVIS INTERNATIONAL, a P&O Group company, has a project management contract with Parrot Cay Development Company for phase one of a £200m hotel and villa development on Parrot Cay, one of the Turks and Caicos islands, in the British West Indies.

Work starts on phase one in May. This involves a luxury 50-suite, five-star hotel, plus some villas and infrastructure.

The hotel will be operated by a Swiss company, Les Hautes De Gstaad, and consists of a restaurant, lounge, bars, disco, terraces and swimming pool. It will be sited on a small knoll overlooking beaches, and coral reefs.

The hotel suites will be in six buildings on the lower slopes of the knoll. Each suite will have a balcony with views out to sea and access to the beaches.

Infrastructure work on the currently uninhabited 1,067 acre island includes roads, desalination plant and sewage treatment plants, roll-on/roll-off dock and airfield.

The first phase is scheduled to take 18 months with the hotel opening on November 1 1990. The following phases, which will take the balance of the projected £200m construction costs, will involve building more than 200 villas.

A diving club and marina will be established on the south west coast of the island for snorkling and coral-wall diving.

Other planned sports facilities include construction of an 18-hole golf course. A sports centre will be located near the hotel in the north of the island.

Yorkshire pumping station

JOHNSTON CONSTRUCTION, Redhill, Surrey, has been awarded civil engineering and building contracts valued at £20m, at home and overseas.

Among the largest, Yorkshire Water Authority has placed a £3.75m contract for construction of the Toll House pumping station, Scarborough.

Two building projects have commenced for Johnston House Developments. Both office blocks, the buildings are at Esher (£2.5m) and at Hartfield Road, Wimbledon (£3.75m). Overseas, the associated companies, Johnston International and Hadsphaltic International, are to construct two hotel projects. At Grand Cayman, British West Indies, a contract, worth £2.45m, is for work on the Radisson Hotel for the Columbia Sussex Corporation. The other, at Belize, West Indies, is for extensions to the Fort George Hotel, Belize City, valued at £1.15m.

Shopping centre for Worcester

BRYANT CONSTRUCTION has been selected by Centrovincial Estates as the main contractor for a 320,000 sq ft shopping centre in Worcester. Work on the £20m contract will start in August, and the centre is expected to be open by Christmas 1991.

It will include a department store of 70,000 sq ft for Beatties and two variety stores, one of 30,000 sq ft and another of 32,000 sq ft. There will be 57 unit shops, 11,000 sq ft of office accommodation, and a restaurant.

There will be a 759-space car park within Blackfriars Square and 236 car-parking spaces in Newport Street.

APPOINTMENTS

Company secretary of Burton

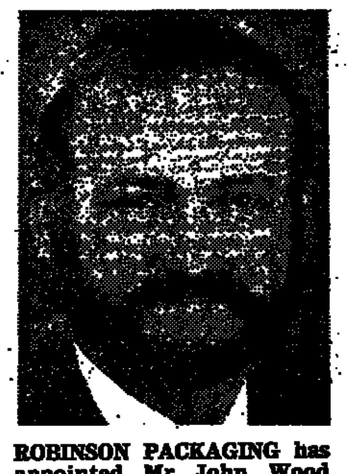
■ THE BURTON GROUP has appointed Mr John Davies as company secretary in succession to Mr Gerry Slater who is retiring at the end of May. Mr Davies also becomes a member of the executive management board.

■ Mr James N. Fletcher has been appointed manager of MUNICIPAL GENERAL INSURANCE broker division, Bournemouth, from April 1. Ms Dorothy M. Waterman becomes deputy manager.

■ Mr John Patrick James has been appointed a director of PRIEST MARIANS (LANGHAM ESTATE) and Priest Marians Developments.

■ JOHN GOVETT & CO has appointed Mr Bruce McIntosh, previously at Mercury Asset Management, as a director, and as deputy managing director of John Govett Pensions.

■ TIBBETT & BRITTEN GROUP has appointed Mr Tony Stanton as a main board director from April 3. He was managing director of Rockwood Distribution Services.



ROBINSON PACKAGING has appointed Mr John Wood (above) as director and general manager of paperboard.

Mr Jim Bowyer (above) has been appointed managing director of LESSER DESIGN & BUILD, main construction arm of the Lesser Group; he also joins the main group board.

■ Mr James Madigan has been appointed a director of THE EXPATRIATE RESOURCES CO, Jersey.

■ Mr Mike Downing, sales and technical director of Trent Concrete, has been re-elected chairman of the ARCHITECTURAL CLADDING ASSOCIATION.

■ CASTLEFORTH FUND MANAGERS has appointed Mr Hugh Barry as an executive director and head of corporate finance. He was deputy chairman of EFT Group.

■ Mr Peter Marchant, deputy director of engineering at ITN, is to rejoin the BBC as chief engineer, television.

■ Mr Trevor Coates has been appointed managing director of ALDI UK, new British subsidiary of a German food retailer.

■ Mr John Reed will succeed his father Mr Robert Reed as managing director of WILLIAM REED WEAVING, part of Allied Textile Companies, when his father retires on April 1. He was sales and marketing director.

■ Mr Terry Mackness, formerly managing director, has been appointed president of HI-TEC SPORTS USA INC, and deputy chairman of the British group. Mr Frank Van Wezel, chairman, becomes chief executive in addition.

■ Mr David Lewis has been appointed managing director of ADVISA SERVICES. He was marketing director of Sherwood Computel.

■ Mr Richard Woollam has been appointed director of the CABLE TELEVISION ASSOCIATION in succession to Mr Nicholas Mellersh who has joined The Cable Corporation as director of development. Mr Woolllam was chief executive of the Telecommunications Industry Association.

■ Mr Richard Wood has been appointed sales and marketing director of YALE SECURITY PRODUCTS. He was managing director of E. Aldridge and Son.

■ Sir Frank Cooper is stepping down as chairman and a director of UNITED SCIENTIFIC HOLDINGS to lighten his load. He will continue as a consultant. Mr John Robertshaw, who has been a non-executive director since 1967 and chairman from 1987-1981, will become chairman. Sir Colin Fielding, formerly controller of research and development at the Ministry of Defence and currently a part-time consultant to USH, will join the board.

PORTSWOOD DEVELOPMENTS, a Chartwell Land and B&Q joint venture, has appointed Mr Jim Adams (above) as executive director. He was development controller at B&Q.

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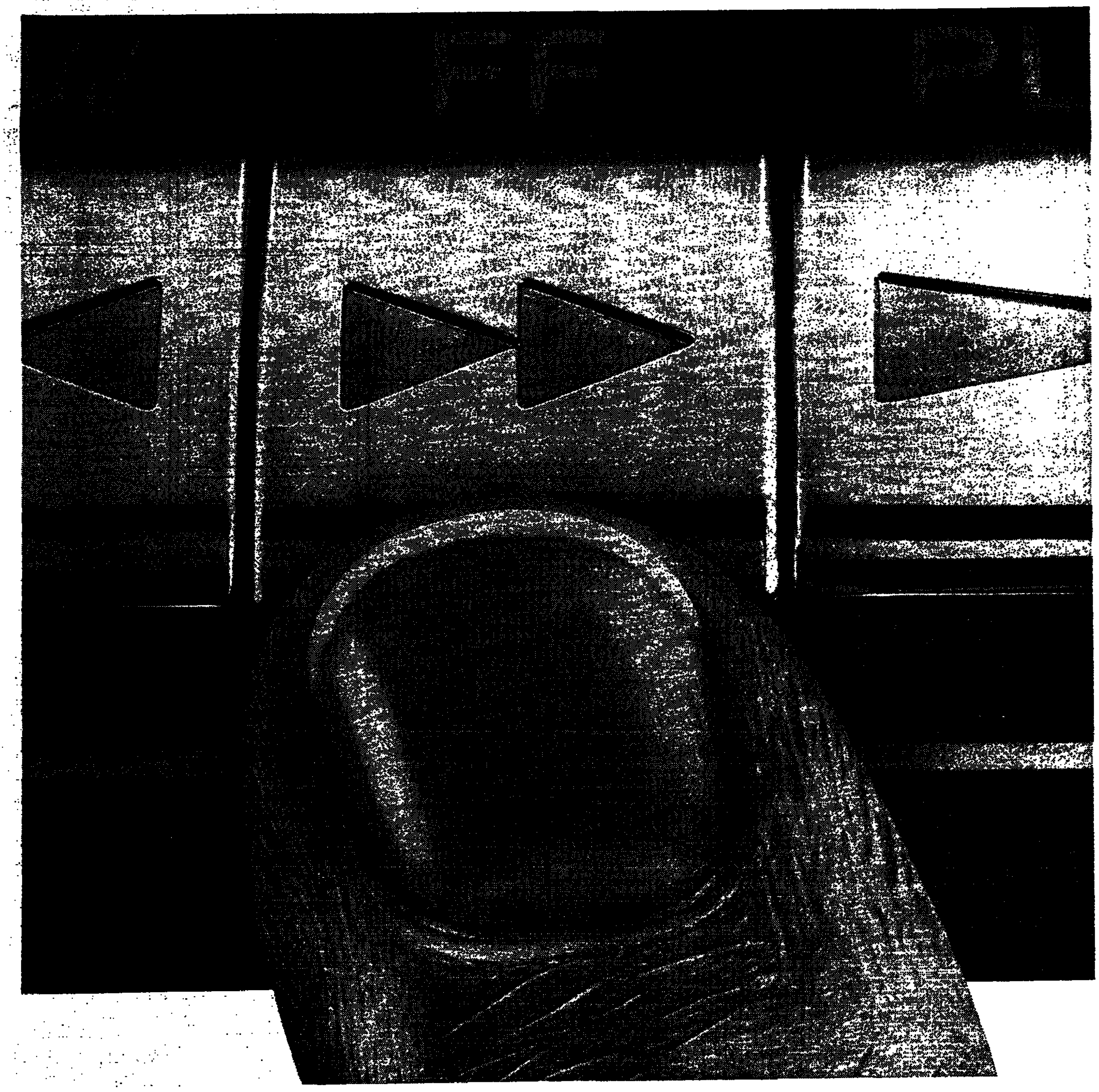

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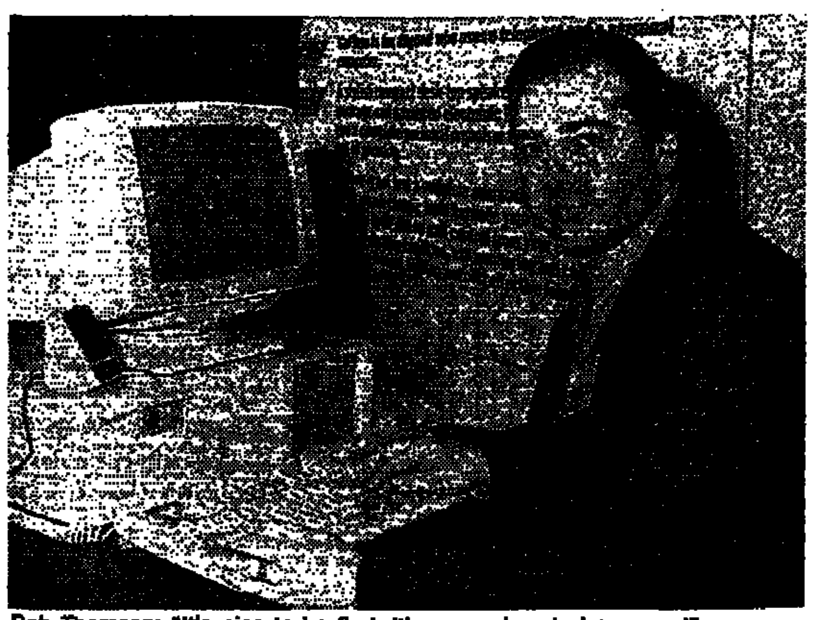
MANAGEMENT: The Growing Business

In the first of a series which examines the challenges companies face in developing and bringing new ideas to the market, **Charles Batchelor** looks at the experience of widely differing enterprises

Why product development is a 'Smart' move



Bob Thomson: "It's nice to be first; it's even nicer to be second"

Rhos Engineering, a well-established but small Welsh subcontracting engineer, was tooling up for what looked like another routine contract to make wall ties when the deal fell through. Faced with the prospect of writing off its £25,000 investment in plant and equipment, Rhos decided to redesign the ties – which hold the outer walls of buildings – and make them for its own account.

"This was the first product we had developed and marketed ourselves since we started 20 years ago," says Hayden Adams, managing director of the Hengoed, mid Glamorgan-based company. "It took a lot of trial and error to get the right design and we have also found the marketing difficult."

Wall ties do not represent the height of technology and as an experienced engineer Adams was confident he could improve on the original design. But Rhos's first, unplanned venture into the world of product innovation proved an eye-opener for a company – with a workforce of just seven and sales of £250,000 – more used to turning *other* people's ideas into metal.

For the first time the company found itself drawing up its own specifications and weighing up the respective merits of taking on its own salesman or using agents or distributors.

Adams is in two minds about developing other new products given the additional demands placed on his small management team but he is convinced that the wall tie project will eventually prove its worth.

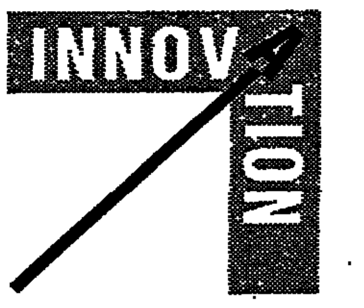
If Rhos reflects innovation at the smaller end of the growing business spectrum, British Bio-technology, a three-year old venture started by a team of professional managers and researchers formerly with G.D. Searle, the US pharmaceuticals group, represents a far more ambitious commitment to new product development.

British-Bio has gone from just 11 to 120 employees, most of them highly qualified research scientists, in a very short time. It is currently into its third round of fund raising with a target this time of £30m. Turnover last year was just £1.1m, producing a pre-tax loss of £1.5m, but Keith McCullagh, the chief executive, and his financial backers are looking for substantial profits when the company's first products come to market in the mid-1990s.

British-Bio has eight project teams working on new drugs in the fields such as coronary thrombosis, tissue repair and AIDS. McCullagh's previous experience as senior director of research in charge of 150 staff at Searle has given him and his team the credibility to raise venture capital finance in the City on a scale impossible for most small firms.

But even if Rhos and British-Bio are in different leagues many of the issues they must confront are very similar. Both are operating in a climate which many growing companies and their advisers believe is indifferent if not positively hostile to the innovative company.

Lord Young, Secretary of State for Industry, earlier this month



announced an extension of the Small Firms Merit Awards for Research and Technology (Smart), the Government's main programme for helping small firms translate their ideas into marketable products. Smart has £29m to spend over the next three years on some 700 companies. These numbers amount to peanuts compared with the needs of innovative companies, the critics say.

"The British Government pays absolute lip-service to helping the inventor," says Richard Paine, chairman of Inventalink, an "invention sales company" set up seven years ago to find outlets for good ideas. "The inventive ability of the British is not in dispute – look at the country's track record in producing Nobel prize winners – but their ability and commitment to turn these ideas into profitable products is poor."

Finance in the shape of venture capital is now available on a scale unimaginable a decade ago but is still restricted to a small minority of potentially high growth companies such as British-Bio.

Most companies with a new product programme to fund must fall back on the conventional sources of finance such as their family or the bank manager.

This is not to say that innovation has been ignored as a subject for study by academics and other observers of the industrial scene. But much of this work has focused on the problems of enabling large corporations to innovate despite the weight of bureaucratic inertia.

Less time has been devoted to the difficulties facing the smaller firm despite studies which have shown that these companies are more inventive than their larger rivals. This partly reflects the fact that many small businesses are started by people with a new product idea while established small companies are often more flexible in responding to changing market demand than the bigger corporation.

But set against these advantages are the limitations which apply to the small and medium-sized company in every area of activity – its lack of management and financial resources. Innovation in any company is a high-risk business because, unlike a well-established product, neither the technological performance nor the size of the potential market can be forecast accurately.

Important areas which the growing company must manage well include:

● The technology risk. The large company can budget for failures among its portfolio of new product launches; the smaller company with more limited resources may itself go down if a major new investment fails to live up to expectations.

"Technology development is the least predictable line of business," says Derek Schafer, operations director at British Technology Group, which specialises in licencing inventions. "Smaller companies find it difficult to estimate the market while the unpredictability of the technology may mean your estimate of £500,000 of development costs turns into £750,000."

British-Bio has had to concentrate its research in three main areas because of the limits on the funds and research skills to which it has access. But having narrowed the field it has spread its risks across eight different project areas. "It is unlikely that all will be successful but just one or two big successes would give us major cash flows by the mid- to late-1990s," says Keith McCullagh.

Each project has been selected either because it involves innovative technology or because British-Bio's directors believe their researchers can make a significant improvement to existing technology.

The project teams of between 12 and 15 people review progress every six weeks to see they are not falling behind schedule and that competitors have not announced a rival product. Magazines, patent filings and the gossip in the corridors of scientific gatherings are monitored. If a project loses its competitive edge it will be axed, says McCullagh.

Companies with established products can minimise their risk by selecting new products which do not diverge too far from their existing range. "Firms that link their new product efforts with their existing products – with the same end use, which fit into an existing line or in the same product class – have a higher success rate," says Adam Adams of accountants Coopers & Lybrand.

● Marketing the new product. The enthusiastic inventor frequently imagines his new product will be snapped up by a grateful public only to find he is left with groaning shelves and a large bank overdraft.

Bob Thomson, managing director of Callbox, a Monmouth, Gwent-based company which has developed a device to link a computer to the telephone to allow both to be used at the same time, acknowledges that marketing posed major problems.

One of Thomson's mistakes was to keep his invention secret until he launched the product on the market. "Because it was unique in providing a voice interface between computer and telephone we had to educate the market about what it was Callbox did," he says. "But because we hadn't told anybody about it it took time for the specialist magazines to write about us so there was a three month time lag before orders started coming in."

Thomson had also targeted dealers who, he thought, would promote his product. "But their willingness to get behind us was non-existent," he recalls. Callbox finally achieved a breakthrough by concentrating on large corporate buyers and made sales of £250,000 in 1988. "It's nice to be first," says Thomson ruefully. "But it's even nicer to be second."

Thomson had spent 12 years as a product development consultant before launching his own business last year so he was pretty sure that there was a market for his product. "I didn't do market research," he says. "I went on gut feeling which is a risky way to do it."

But gut feeling often is the only way to launch a new product. Inventalink's Richard Paine says his review team nearly rejected an idea for a hair restorer formula. When they finally did send it on to potential investors they were surprised at the enthusiasm of the response.

Brian Davies set up Pelydryn, a Swansea-based company, to develop and market the Electropacer, an electronic pacing system for athletes. He was convinced that there was a market for it among municipal and private running tracks in Britain. But in order to break into the less familiar US market he is carrying out market research.

Davies' three-strong team has installed a demonstration model of their pacing machine in Swansea's Morfa Stadium but has yet to win commercial orders. Surprisingly – or perhaps not – Davies has run into some resistance from the coaches his machine is designed to help. They see a threat from the electronic wizardry of the Electropacer to their own skills at devising training programmes for athletes.

"There's always resistance to a new product," he says resignedly.

A subcontractor's lot is not a happy one

Charles Batchelor on small electronics firms in south-eastern France

Small electronics subcontractors in south-eastern France are failing to grab their share of work from the large electronics companies in the area, according to a recent study.*

The survival of small subcontracting businesses after the creation of the single European market is a subject which has also been concerning the European Commission's directorate of enterprise policy (formerly the small firms task force) and the French study may have implications for subcontractors elsewhere in the community.

The EC is concerned at the trend for large companies to demand closer links with a smaller number of subcontractors. This poses challenges for the subcontractors which retain the business and a threat to those shut out.

Large electronics companies in the Alpes-Maritimes département employ a total of 8,500 people and have been expanding at a rate of 20 per cent a year, the study showed. Small local subcontractors did not have a strong position, however, and won only 25 per cent of potential orders.

Local subcontractors employ only 420 people, a number which, in theory, could be quadrupled if all contracts were placed in the Alpes-Maritimes.

Despite efforts to change the département's image (it includes Nice and a large part of the French Riviera) the large French and foreign electronics groups based locally do not regard the region as a major target for work which they subcontract out. Their local establishments tend not to be made responsible for placing subcontract work.

The picture varies from sector to sector, however, and there are some exceptions, notably software, for which 87 per cent of contracts are placed locally.

Local subcontractors tend to be very small "artisanal" companies with turnover of around FFr 5m (£450,000). They are not geared up to industrial scales of production and are thus unable to handle the volumes required by large manufacturers, the study showed.

Some sectors, such as design offices and printed circuit manufacturers, are adapting to change but others, in the fields of cabling, assembly and installation, are doing less well.

Ways in which subcontractors might improve their position include grouping small companies together, organising seminars to study the problem and providing support for new companies in product areas which are at present not covered.

Organisations, such as the local chambers of commerce, are also attempting to increase awareness of the need for quality; to create a brand image for companies in the département; to provide information on European standards for industry; and to arrange seminars on technological subjects.

**Report prepared by the Société Framatech for the Côte d'Azur Development Office, Palais de Département, BP 142 -06003 Nice Cedex. Tel 93 92 42 42.*

In brief...

■ 3i, Britain's largest venture and development capital investor, is inviting managers to break out of the confines of large corporate structures with a series of seminars to be held around the country.

The "Break-Out" campaign is to be staged at what 3i calls "discreet country house locations" in May and June and will look at the management, legal and financial issues involved in buy-outs, buy-ins and start-ups.

Contact Pat Broad, 3i, 91 Waterloo Road, London SE1.

■ Price Waterhouse, the accountants, have updated their two-year-old Business Starter Pack to take into account the changes introduced in the 1988 Finance Act.

The pack compares the merits of going into business as an individual, a partnership or a limited company. It also includes information on UK and European Community grants and loans, commercial leases and employment legislation.

Available free from: Publications Office, Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Tel 01-407 8989.

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For further information, contact the Joint Administrative Receivers, Robert St.J. Butler and Peter Hall, Grant Thornton, 43 Queen Square, Bristol, BS1 4QR. Tel: 0272 268901. Telex: 444506 GTBRSL-G. Fax: 0272 265458.

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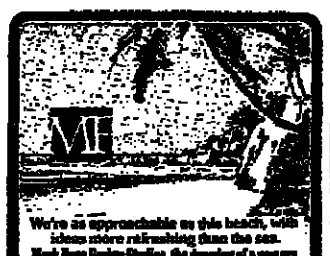

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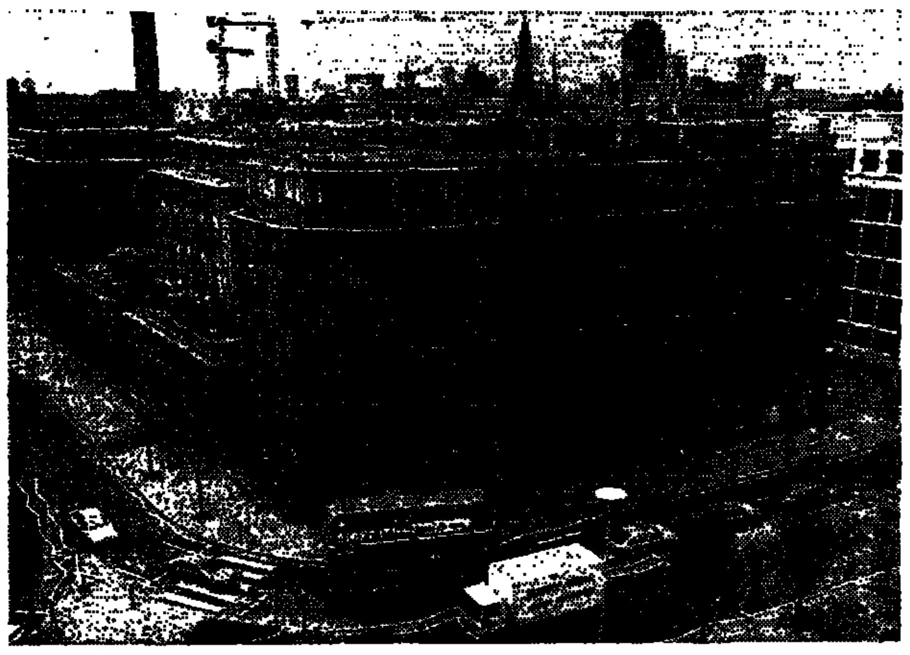
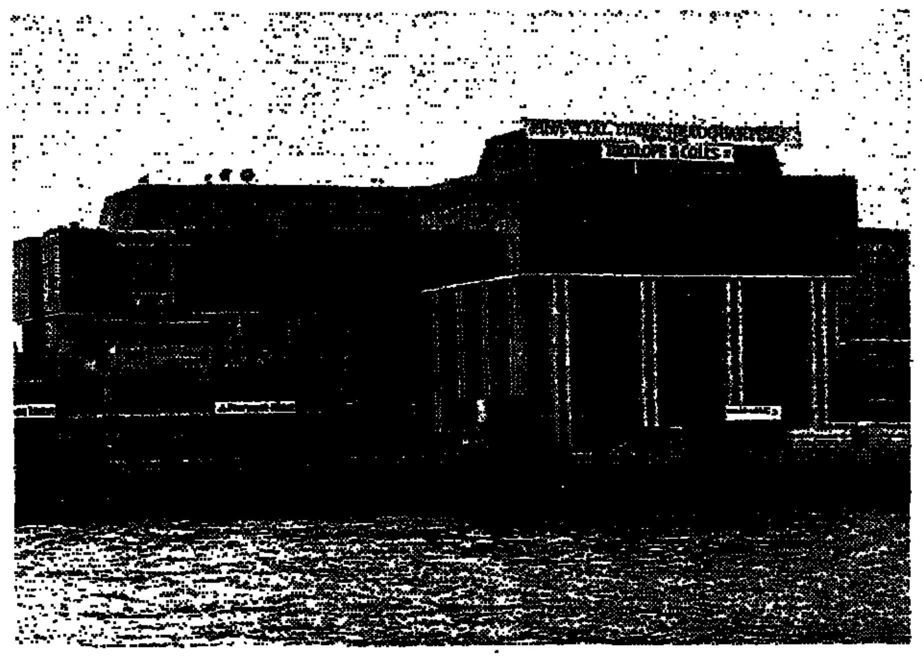
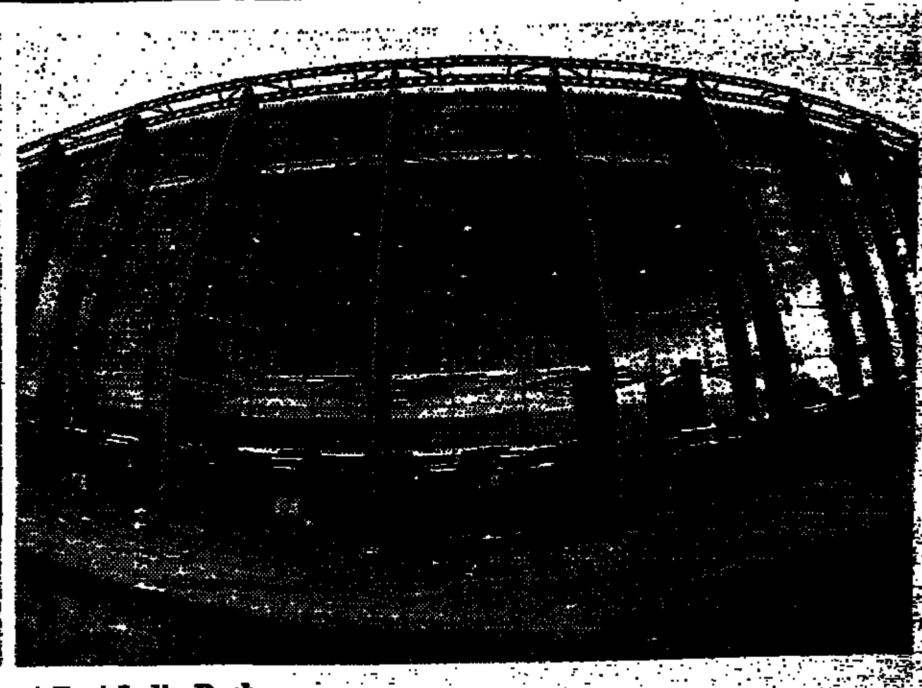




The old headquarters, Bracken House, now sold to the Japanese; the new offices at Number One, Southwark Bridge; and the printing works at East India Dock

ARCHITECTURE

Goodbye Bracken House, hello Southwark Bridge

As the FT moves **Colin Amery** salutes the old and describes the new offices over the river and the printworks at East India Dock

"All this glass and concrete will be out of date in a hundred years . . . my building is designed to last at least three to four hundred." These were the words of Sir Albert Richardson written in 1959 when Bracken House, which he had designed, was first opened as the purpose built home of the Financial Times. In terms of the endurance of materials Sir Albert may not have been wrong. He was not thinking of computer technology, advanced telecommunications and the possibility of the separation of editorial production and printing. Nor did Sir Albert anticipate the phenomenal rise in land values in the City of London which made it possible for Pearson, the F.T.'s owners to realise £143m when they sold Bracken House to Obayashi Europe of Japan in 1987.

Until very recently newspapers were one of the few industries that continued to function in city centres. Today most national newspaper production takes place on the urban fringes, in plant built on cheap or subsidised development land close to the means of distribution. The close knit community of writers and printers in and around London's Fleet Street has been totally dispersed for ever.

Architecture is the product of social changes and is often only too accurate a mirror of the society it serves. Today no one is building anything that will last a hundred years. Commercial and industrial architecture has to respond to tight and controlled financial constraints and it takes a very good architect to demonstrate that quality of design and cost effectiveness are not exclusive. The Financial Times has been experiencing these pressures and potential conflicts in the development of its new buildings for printing in London's Docklands and its offices in Southwark.

There has been some sadness at the departure from Bracken House because, despite its awkward plan and difficult circulation, it is a building with a strong personality. Sir Albert Richardson knew what he was doing when he designed a red Hollington sandstone and brick palazzo based on Turin's Palazzo Carignano to be a good neighbour to Wren's cathedral. The recent listing of Bracken House by the Department of the Environment is an acknowledgement of the quality of the craftsmanship and materials – particularly on the exterior. Sir Albert designed the bronze windows, the copper flashings and the cut bricks in patterns of oak leaves because he wanted the façade to look modelled. He was very critical of much contemporary architecture. Modern offices, for him, were "the monotonous repetition of cellular façades cloaked with vitreous indifference."

Not everyone would agree with Sir Albert about the virtues of Bracken House, although few would deny its strong character. When it opened in 1959 Arthur Christiansen, a former editor of the Daily Express, contrasted Bracken House with the black glass art deco home of Beaverbrook Newspapers. "I would expect the Express to belch out of its glass house, but the most I could hope for from Bracken House would be Crockford, the annual register of Britain's parish priests."

Christiansen felt overwhelmed by a curious religious sense and for him a visit to the editor was like seeing the Dean in his vestry. In fact the offices at Bracken House were not dark or solemn and when the building is remodelled for its banking purpose with dealing rooms where the printing works were, Richardson's restraint and elegance will be appreciated again.

But what of the new? The print works at East India Dock are already a landmark. The architects were Nicholas Grimshaw and Partners working with the press and interior architects, Robinson Design Partnership. They achieved an excellent building working at great speed. The site was cleared in early 1987 and the plant was functioning in September 1988. Anyone passing

> The Financial Times has chosen its architects well. Nicholas Grimshaw has been chosen to design the British Pavilion for the 1992 Expo in Seville, and Michael Hopkins for a new opera house at Glyndebourne – equally prestigious commissions

the new premises on the A 13, or on the Blackwall Tunnel approach, will see and marvel at the sight of the massive presses rolling behind a glass wall that is 96 metres long and some 16 metres high. In the press hall printing is carried out on two Goss Headliner offset presses – each one of them 36 metres long and 12.5 metres high. When they are operating at full speed some 70,000 copies an hour of a 56 page F.T. roll off the presses.

The architects understood the cool majesty of these great machines and the elegance of the giant glass wall. The simplicity of the plan – paper store at one end, presses in between and despatch at the other – is a tribute to a refined production process. This is a state of the art building for an advanced process. The great glass window is supported by a spectacular series of projecting steel columns with tension rods and outriggers that seen to stretch out their arms to stabilise the acreage of glass. There is a slightly fortified look to the twinned entrance towers on the south side of the plant – projecting as two curved elements.

So few of the newspapers that have relocated their printing to Docklands have produced any architecture at all worthy of the name. This print works is of outstanding quality because it has remained simple and responds to the directness of the printing process. It is Dockland's first architecturally significant large scale landmark.

When it came to relocating the offices, an appropriate site as near as possible to the City was the first priority. Sadly this ruled out the Financial Times extending its architectural patronage to the commissioning of its own London HQ. The search for a spec. office building offered a narrow range of possibilities and Number One, Southwark Bridge was the almost inevitable selection.

It is not a building of any architectural distinction from the outside. It is a perfect example of what happens when buildings are designed by developers as a speculation. It was designed by a firm of architects, T.P .Bennett. It is a design of the late 1960s built in the late 1980s. As a tinted glass box with a cheap looking blue metal roof, it keeps its virtues hidden until you reach the interior.

The building was purchased as "shell and core" and the interior was completely designed for the F.T. by architects Michael Hopkins and Partners. Hopkins had some experience of newspapers recently fitting out the new Dockland premises of the Daily Telegraph. He consulted widely on factual matters – space and storage – but in matters of colour and finish hehas produced a neutral series of office floors. The design is cool and quiet; walls are grey or white, the carpets are grey and all the furniture is grey and black. The more senior staff have simple wood panels for walls, the main body of employees work in largely open plan cool offices. Ionisers will ensure that air conditioning is healthy, and the river views for those lucky enough to have them are dramatic. The editor and the senior management have a perfect view of the architecturally wrecked City still dominated (only just) by St Paul's.

It is not easy building in the London Boroughs of Southwark or Lambeth – there are considerable local restraints. The new F.T. offices form part of a larger Regalian development that will include local housing, flats and offices. It is early days to assess reactions to the cool, white world of the new F.T. – it will never have the character of Bracken House but it will be efficient and elegant within. The F.T. has a fine collection of contemporary British art which will enhance these new offices and I hope that a major art work can be commissioned for the River Thames frontage to make the otherwise ordinary block into something of a landmark. Perhaps Michael Hopkins will design a futuristic version of the famous astronomical clock that will have to be left at Bracken house. The powers-that-be at the F.T. have chosen their architects well. Nicholas Grimshaw has just been chosen to design the new British Pavilion for the 1992 Expo in Seville, and Michael Hopkins has won the competition for a new opera house at Glyndebourne – equally prestigious commissions.

Don Carlos

COVENT GARDEN

For the very last time, the Royal Opera have brought back the 1958 production of *Don Carlos* – still perhaps the company's most prized achievement of the postwar period. For many people it was in this theatre that one of the greatest of all operas was revealed in its full greatness: one of the serious operas, the kind that forever afterwards makes a difference to the way one looks at, thinks about, the world one lives in.

In recent seasons it had begun to go shabby; one wondered whether its natural lifespan had been overestimated. But the company's new production overseer, John Cox (what a good season he is having!), has brushed up on Luchino Visconti's original. Details are made fresh, lighting is exact, all the parts (apart from some oddities in the Auto-da-fé) are in place. The conception seems at once "historical" and newly meaningful – and now one feels a pang over its impending retirement.

Don Carlos, in all its authentic forms, is a French Grand Opera (*pace* an essay in the programme there is no more reason – except hidebound tradition – for singing it in Italian in London than there would be for singing *Messiah* in German in Paris). The Royal Opera tried to do it in the original, in 1983, but failed badly and thereafter fought shy. This last-ever revival is still mainly cast with lightish Verdi voices, carefully matched; the French language would, one feels, have suited them much better than the (clumsy) Italian translation.

The particular "flavour" of the 1989 cast finds its summary in Samuel Ramey's Philip. He is slight of build; he does not bestride the opera with Christoff's dark grandeur. But the fine-grained poise of his singing, with its nuances of colour and musicianly control of phrase, works up a noble intimacy of character in all the important places (Ramey's contribution to the Act 4 quartet is of extraordinary beauty). And the fact that this king is o'ertopped and out-thundered by Willard White's Inquisitor, a simply tremendous performance, lends something vivid to one's sense of the opera's tragic pessimism.

Carlos is Dennis O'Neill, a dark, eminently Iberian princeling. The voice is not free of passing impurity but the style is refined. Mr O'Neill savours words and makes them ring; his recitative in the final duet has dignity and amplitude. The friendship with Gino Quilico's elegant, immaculately sung Posa is credible and touching as it occasionally fails to be when undertaken by more conventional Verdian heavyweights.

Elisabeth de Valois is Katia Ricciarelli's most moving London role. We saw and heard it more than 11 years ago; now the top is unreliable, but the radiance of timbre and personality has been subtilized to heartbreaking warmth. In the final scene she does not show us the straightbacked resoluteness that made Josephine Barstow's ENO Elisabeth so memorable; all is tender, graceful, suffused with grief and mature wisdom. Her avoidance of all vulgar effect tends to highlight the crude blacks-and-whites of Agnes Baltsa's Eboli – still exciting at top and bottom but alarmingly clouded in the middle, and minimally characterised.

The conductor is Richard Armstrong. The playing and choral singing are not quite first-rate, but Mr Armstrong's wealth of experience with this opera comes through in the scenes of close confrontation and personal intimacy, paced and shaped with quicksilver sensitivity both to Verdian values and the vocal character of his cast. The edition chosen is the same as that used in 1958 – with, therefore, none of the "lost" *Don Carlos* music rediscovered in the early '70s but also with none of Giulini's disfiguring internal cuts. Altogether, this counts as one of the London season's great achievements.

Max Loppert

Cynthia Sikes and Robert Westenberg

Into the Woods

MARTIN BECK THEATRE, NEW YORK

In New York recently I thought I should catch up with the latest Stephen Sondheim musical. An act of duty was transformed into an experience I shall never forget. On every level – design, direction, orchestral scoring, performance and musical numbers – *Into The Woods* strikes me as the nearest the contemporary musical has yet come to a masterpiece.

It marks the second collaboration between Sondheim, responsible for music and lyric, and the director/librettist James Lapine. Their first, *Sunday In The Park With George*, was a pointillist evocation of the Seurat painting followed, in the second act, by a contemporary application. The brilliance of that piece's structure is further developed here, with the overlapping fairytales of the first half intricately darkened and entwined in the second.

The legends, separately introduced by the Narrator, are those of Rapunzel and the sorceress, Cinderella, Little Red Riding Hood and Jack and the Beanstalk. The coaglant story is that of a childless Baker and his wife, invented by Lapine, who are despatched on a quest to the forest to find the ingredients of a magic potion. The stories jangle and interweave, with Cinderella seeking the festival, Little Red her grandmother and Jack an economic exchange for his milky white cow.

A series of antithetical clashes is established with the mysterious underworld of the witch, and the superior intervention of two princes. In the second act, after a false happy ending, the characters are inflicted with the social catastrophe of a looming Giant. The Baker's wife is seduced by the Prince ("I was raised to be charming, not sincere") and accidentally killed. A child is born. Eyes are gouged out. People band together against the evils of the wood and the world.

This is much more than a post-Freudian view of fairytale. It is a creative meditation on the adult properties of children's fiction, an exercise common to many fairytale artists in the 19th century. Richard Doyle's fairyland drawings and Gustave Doré's sombre cartoons (one of which depicts Little Red intriguingly unfrightened in bed with the wolf) come to mind.

But the crucial reference work here is surely Bruno Bettelheim's 1976 treatise *The Uses of Enchantment* in which the critic summarises the sexually and brutally ambiguous nature of much fairytale, the transforming function of the impenetrable forest and its representation of the unconscious.

Tony Straiges' miraculous design is dominated by the tangled trees and bracken of a creepy hinterland, a dark metaphorical place that is the exact opposite of another Sondheim escape destination for that weekend in the country in *A Little Night Music*.

The music is graceful and witty, redolent of both nursery rhyme and Disney film scores, lit up by sun and moon and properly atmospheric at all times. Since starting once more from scratch with Lapine (*Sunday in the Park* was initiated at Playwrights Horizon off-Broadway, *Into the Woods* at the Old Globe in San Diego) Sondheim's art has matured and deepened while assuming a genuinely new and experimental vigour. There is less gratuitous misogyny, too.

The joy of this occasion lies in the work's twin characteristics of simplicity and darkness. The conclusion that "No One Is Alone" followed by the moral and moving finale "Children Will Listen" takes us into a new era of musical theatre and sends you tingling with excitement out of the woods and into the streets.

The costumes by Ann Hould-Ward are continuously gorgeous, and the playing and singing of a fine company beyond criticism. Bernadette Peters has been succeeded, most ably, by Nancy Dussault as the witch, but the original cast members Chip Zien, Robert Westenberg and Tom Aldredge, remain, respectively, as the Baker, the Prince and the Narrator. LuAnne Ponce and Ben Wright are brimming with verve and talent as Little Red and Jack.

Eighteen months into its Broadway run, *Into the Woods* seems to be on the brink of breaking through the Sondheimite audience to the world beyond. It richly deserves to, and I hope a way is soon found of bringing this great musical to London. For a start, it would have the added resonance of being the most creatively innovative and enjoyable pantomime we have ever seen. Our theatre has already let slip *Sunday in the Park*. We must not fail again.

Michael Coveney

ARTS GUIDE

March 24-30

MUSIC

London

Stan Tracey Big Band. Tribute to Duke Ellington, including The Genesis Suite. Barbican Hall (Tues) (638 8891).

Sviatoslav Richter, piano recital. Barbican Hall (Wed) (638 8891).

English Chamber Orchestra, conducted by Ian Watson. Handel's Messiah, with Eiddwen Harrhy (soprano), Catherine Denley (contralto), William Kendall (tenor), Peter Harvey (baritone), and the English Chamber Orchestra Chorus. Barbican Hall (Thurs) (638 8891).

Paris

Quatuor Intercontemporain: Webern, Szymanowsky, Berg (Wed) Radio France, Studio 106 (42301516).

Alain Vanzo presents Valerie Millot (soprano), Anne-Marie Fontaine (piano) (6.30pm), Martina Arroyo (soprano), Henri Venanzi (piano) (8.30pm). (Wed) Chatelet (40282828).

Jean Marc Luisada, (piano). Brahms, Chopin, Schumann (Wed 6.30pm) Théâtre de la Ville (42742277).

Vienna

Wiener Mozart Orchestra in historical costume, conducted by Konrad Leitner. Konzerthaus (Sat, Sun).

Wiener Klavierquartett. Mozart, Mahler, Brahms. Palais Palffy (Sat).

Kammerkonzert Haydn Sinfonietta. Palais Auersperg (Sun).

Wiener Saxophon Quartett. Boschof, Bozza, Urbanner, Mussorgsky. Konzerthaus (Wed).

Claudio Arrau, piano recital. Beethoven, Liszt. Musikverein. (Thurs).

Frankfurt

Frankfurt Opera perform a concert version of Rossini's Moses, with Manfred Schenk in the title role, Eduardo Villa, Lajos Miller, Alejandro Ramirez, Valentin Jar, Maria Zampieri and Doris Soffel. Alte Oper (Thur).

Cologne

Young German Philharmonic conducted by Myung Whun-Chung. Beethoven, Penderecki, Shostakovitch. Philharmonie (Thur).

New York

Diane Walsh piano recital. Beethoven, Schubert, Scriabin, Hugh Aitken, Bartok. Merkin Hall (Tue) (362 8719).

Orion String Quartet. Haydn, Mendelssohn, Bartok. Kaufmann Hall (Tue) (427 6000).

New York Philharmonic conducted by Klaus Tennstedt with Benita Valente (soprano). Schubert, Mahler. Avery Fisher Hall (Tue, Thur) (874 6770).

Charles Libove (violin) and **Nina Lugovoy** (piano) recital. Walter Piston, Beethoven, Robert Starer, Morton Gould. Merkin Hall (Thur) (362 8719).

Washington

National Symphony Orchestra conducted by Zdenek Macal. Zwilich, Schubert, Smetana. Kennedy Center Concert Hall (Tue) (254 3776).

Berlin Chamber Orchestra of East Berlin conducted by Heinz Schunk. Heinz, Vivaldi, Mozart, Dvorak. Kennedy Center Terrace Theater (Tue) (254 9895).

Victor Derevianko piano recital. Schubert, Prokofiev, Schumann. Kennedy Center Terrace Theater (Wed) (254 9895).

National Symphony Orchestra conducted by Pinchas Zukerman with William Steck (violin). Stravinsky, Mozart, Nelkrug, Haydn. Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

Chicago Symphony conducted by Leonard Slatkin. Haydn, Druckman, Brahms. Orchestra Hall (Tue) (435 6012).

Chicago Symphony Orchestra conducted by Kenneth Jean with Ken Noda (piano). Tcherepnin, Mozart, Dvorak. Orchestra Hall (Thur) (435 6012).

Tokyo

London Symphony Orchestra, conducted by Michael Tilson Thomas. Ravel, Gershwin, Berlioz. Suntory Hall (Mon) (289 9999).

Valery Afanassiev (piano) with the Tokyo Metropolitan Symphony Orchestra, conducted by Kazuo Yamada. Strauss, Schumann, Brahms. Tokyo Bunka Kaikan (Tues) (822 0727).

Tokyo Symphony Orchestra, conducted by Ken-ichiro Kobayashi. Works by the contemporary Japanese composer, Mareo Ishiketa. Suntory Hall (Wed) (405 8115).

OPERA AND BALLET

London

Royal Opera, Covent Garden. Luchino Visconti's famous 1958 production of Don Carlos returns for its last-ever revival, conducted by Richard Armstrong, with a cast including Samuel Ramey, Dennis O'Neill, Katia Ricciarelli, Agnes Baltsa, and Gino Quilico. Last performance of the fidgety, shallow new Cosi fan tutte produced by Johannes Schaaf and conducted by Jeffrey Tate.

English National Opera, Coliseum. Jonathan Miller's dark, handsome staging of Don Giovanni is revived with Steven Page in the title role, Rita Cullis as Anna, Elizabeth Byrne as Elvira and Jane Glover (making her ENO debut) as conductor. More performances of the first-ever Coliseum Falstaff, produced by David Pountney and conducted by Mark Elder or Lionel Friend, with Benjamin Luxon at the head of an excellent cast.

Paris

Théâtre des Champs Elysées. Rossini's *William Tell* with Michael Schoenwandt conducting the Orchestre National de France in a new co-production between the Théâtre des Champs Elysées, Teatro alla Scala, Nice Opera and the Total Foundation forMusic (47203637).

Paris Opéra. Tchaikovsky's *Sleeping Beauty* in Rudolf Nureyev'sproduction and choreography after Petipa conducted by PatrickFournillier alternating with Vello Paehn in Nicholas Georgiadies Decors and with Paris Opéra stars (47425371).

Vienna

Staatsoper. *Parsifal* is conducted by Horst Stein, with Gwyneth Jones, Waltraud Winsauer, Margareta Hintermeier in the cast. *Der Rosenkavalier* is conducted by Horst Stein and sung by Lucia Popp, Patricia Wise, Alfred Sramek and Peter Jelosits. *Il Trovatore* is conducted by Berislav Klobucar, with Martine Dupuy, Brigitte Poschner-Klebel and Piero Cappuccilli.

Volksoper. In repertory: *Don Giovanni* conducted by Dietfried Bernet. *Ein Walzertraum*, conducted by Herbert Mogg. *Das Land des Lächelns* conducted by Rudolf Bibl. *Kiss me Kate* conducted by Herbert Mogg. *Hoffmanns Erzählungen* conducted by Dietfried Bernet. *Die lustige Witwe* conducted by Rudolf Bibl (51444. ext. 2660).

Berlin

Opera. *Orpheus und Eurydike* returns with a new cast led by Hanna Schwarz, Lucy Peacock and Carol Malone. *Faust*, sung in French, features Ingo Nielsen, Marcia Bellamy and Giacomo Aragall, and is conducted by Jesus Lopez Cobos. The successful Götz Friedrich *Götterdämmerung* is strongly cast with Rene Vinzing, Hanna Schwarz, Eva Johansson and Spas Wenkoff.

Hamburg

Opera. *Tristan und Isolde* has a fine cast including Gabriele Schnaut, Hanna Schwarz, William Johns, Harald Stamm and Siegmund Nimsgern. *Eugen Onegin* is sung by Karita Mattila, Daphne Evangelatos, Wolfgang Brendel, Kurt Moll and David Rendall and conducted by Gerd Albrecht.

Frankfurt

Opera. The Lievi brothers' production of *La Clemenza di Tito* is well sung by Anita Soldh, Kimberly Barber and Alicia Nafe. Also Purcell's *Dido and Aeneas*.

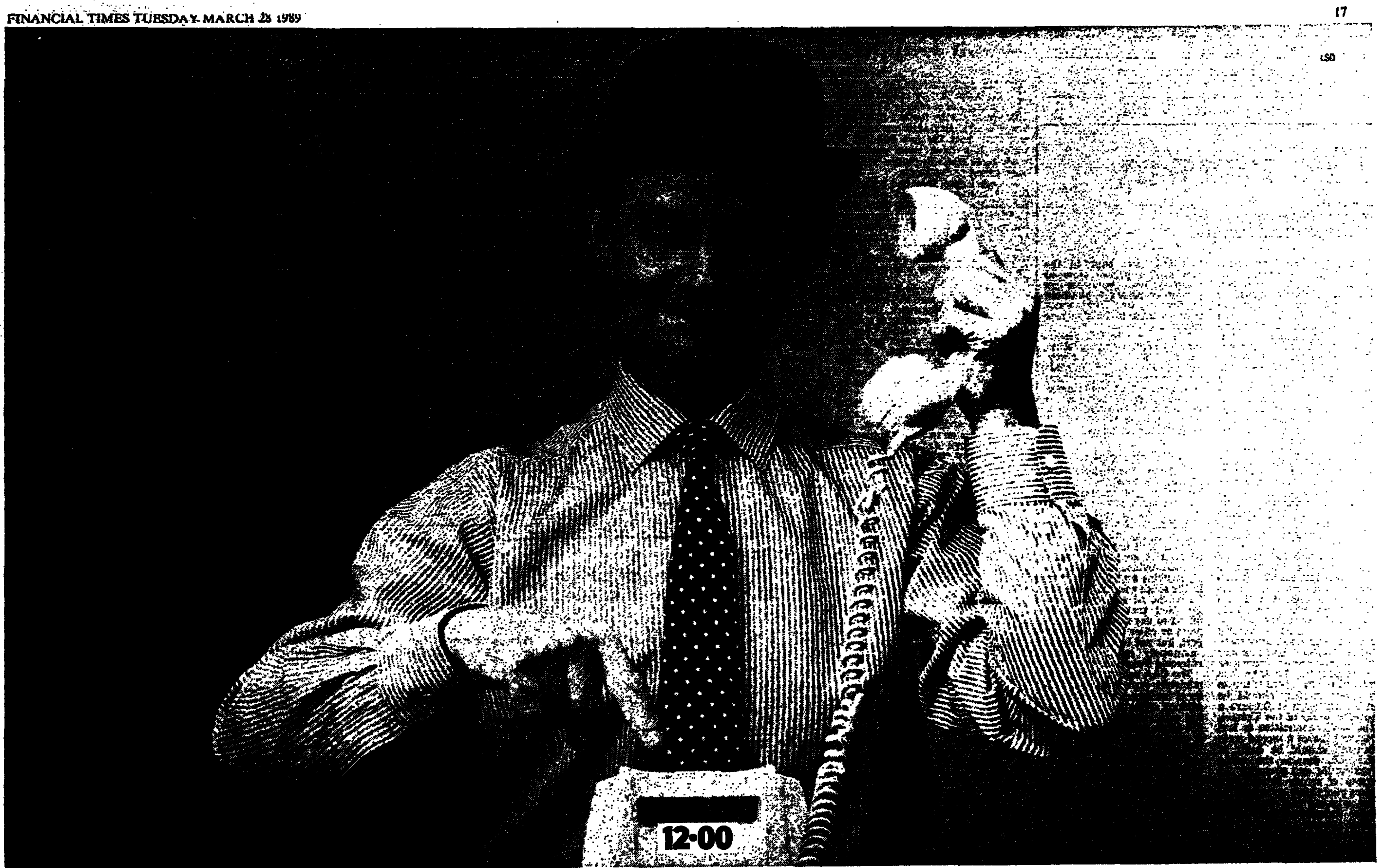
New York

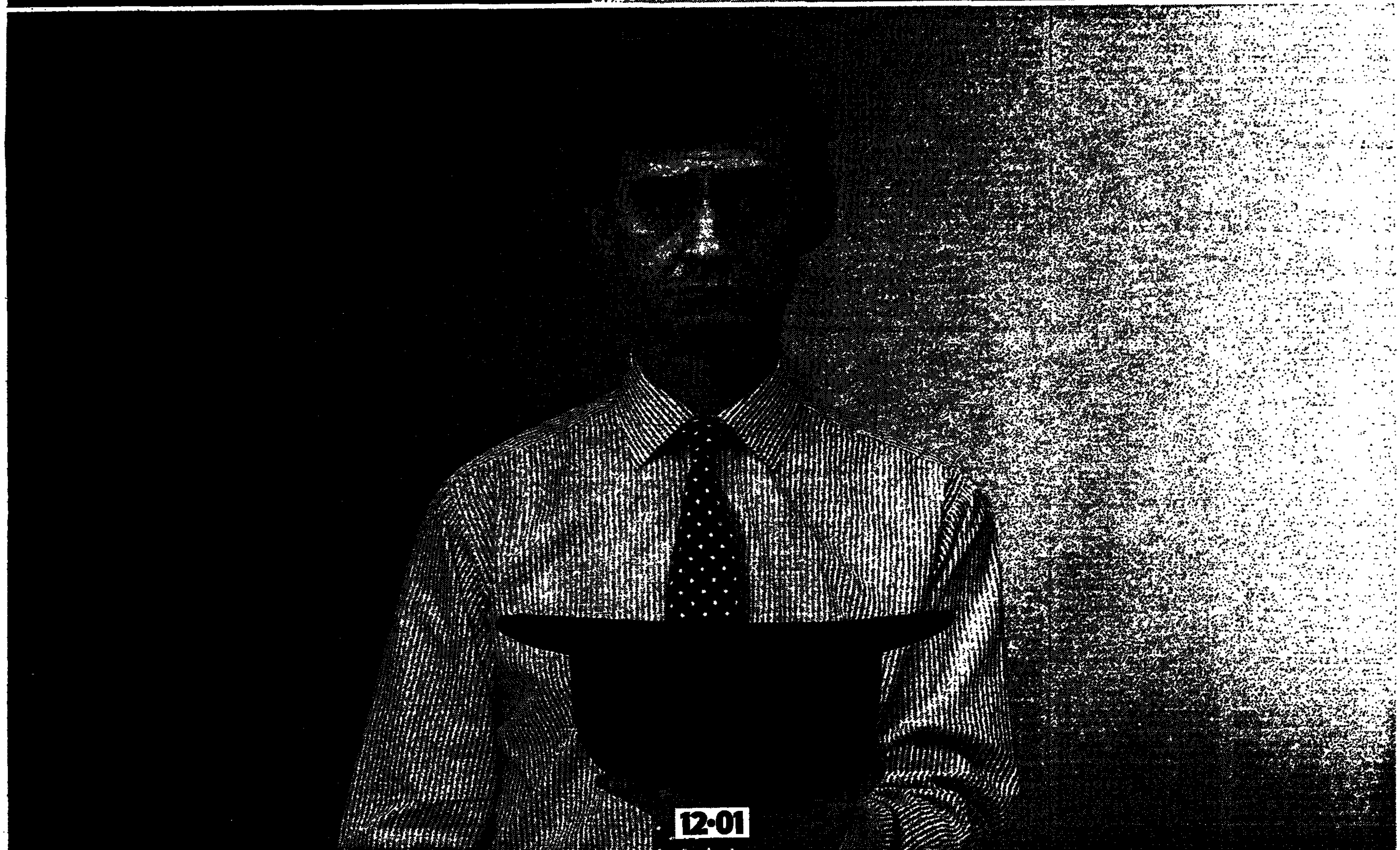
Metropolitan Opera. Jessye Norman sings Sieglinde, with Hildegard Behrens as Brünnhilde and James Morris as Wotan in the first seasonal performances of Die Walküre, conducted by James Levine. The week's performances also include Rigoletto with Hei-Kyung Hong as Gilda and Leo Nucci in the title role, conducted by Nello Santi and Eugene Onegin conducted by Andrew Litton with Mirella Freni as Tatyana and Jorma Hynninen in the title role. Lincoln Center Opera House (362 6000).

Antologia de la Zarzuela. South American company of 80 dancers, singers and musicians perform with lavish sets. City Center (581 7907). Ends April 2.

Washington

Martha Graham Dance Company. Mixed programme of the notable modern ballet company features *Temptations of the Moon, Appalachian Spring* and *Acts of Light*. Kennedy Center Opera House (254 3770).





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The runway dilemma

THERE IS a broad consensus in the aviation world that south-east England will run out of runway capacity towards the turn of the century. The Civil Aviation Authority (CAA) recently forecast that the number of passengers using London's four airports – Heathrow, Gatwick, Luton and Stansted – would more than double to 123m by 2005. In the past forecasters have seriously underestimated traffic growth. It would not be surprising, therefore, if capacity constraints start to bite sooner than expected.

Lead times in runway construction are long, not least because of the intensity of environmental opposition to infrastructure projects of this kind. Past experience suggests that a decade is likely to elapse between the filing of a formal application and the landing of the first aircraft. The CAA is keen that efforts to identify an appropriate site for a new runway begin immediately. It cannot make decisions about airspace management until the new runway's location is known with certainty.

The CAA call for an early decision on a new runway was backed last week by the House of Commons select committee on transport. The CAA has refused to say where it thinks the new runway should be built, although it favours a position south of the Thames. The select committee is less coy. It believes a second main runway should be built at Gatwick, despite the many "difficulties and obstacles". A group of senior British Airways pilots have endorsed this call, arguing that Gatwick is more dangerous than many other airports because of the large number of aircraft using the single runway.

Peculiar situation

In many countries, assessments of the need for and location of a new runway would be taken by Government. It would undertake a cost-benefit analysis of various possible sites, taking full account of the implications of any decision for the environment and other modes of transport such as roads and rail. But Britain is now in a rather peculiar situation. Since the sale of British Airports Authority in 1986, Heathrow, Gatwick and Stansted have been in the hands of a privately-owned company, BAA. Ministers can permit or refuse a planning application, but they cannot instruct BAA to build a new runway.

BAA argues that is premature to start worrying about the need for a new runway. The select committee finds this attitude "puzzling". But there is no puzzle. BAA is a commercial company: its interests are not those of the country as a whole, its job is to make a profit for shareholders.

Restricting supply

In the short to medium term, BAA can make a higher return by building terminals (and feeding more people through its duty free shops) than by embarking on a very expensive capital project. Like any monopolist it has an incentive to restrict supply and raise prices. Provided runway capacity remains scarce, congestion in the south east will play into its hands. At some point, disgruntled travellers will be forced to use more distant airports or other means of transport, but not before a sizeable "monopoly rent" has been extracted from them.

The CAA has suggested that ministers explore the possibility of "somebody other than an existing airport owner" providing extra runway capacity in the south east. In other words it wants competition for BAA. But airport competition does not make much sense. What private consortium would risk investing in a runway without a guarantee that BAA would not decide, after all, to expand capacity at Stansted or Gatwick? In any case, it would seem perverse to build another single-runway international airport in the crowded south east, when two existing sites (Gatwick and Stansted) could theoretically be expanded.

Ministers are in an unenviable position. The privatisation of BAA poses awkward problems; so do other past decisions, such as the failure to leave space for more runways at Heathrow and Gatwick. But the Government cannot now duck its responsibility. The timing and location of a new runway are not matters that should be left to the private sector. The nettle needs grasping quickly.

Mrs Thatcher in Africa

SOUTHERN AFRICA will have had two important visitors in the space of a week; Mrs Margaret Thatcher, the British Prime Minister, and Mr Anatoly Adamishin, the Soviet deputy Foreign Minister, a significant player in the negotiations that led to the southwestern Africa peace pact.

In the pre-Gorbachev era the excursions might have prompted mutual sabre rattling. Today they boost hopes for an end to the region's conflicts, for London, Washington and Moscow are moving towards shared objectives in Africa. A stable transition to independence in Namibia and an end to the conflict in Mozambique could set the stage for an international effort to encourage reconciliation in South Africa itself.

For Mrs Thatcher, the safari marks a further stage in a remarkable relationship with Africa which began in Zambia nearly 10 years ago. With some misgivings she used the 1979 Commonwealth conference to set in train the events that ended the war in Rhodesia and created an independent Zimbabwe. The close relationship she subsequently formed with President Robert Mugabe survives the sharp differences between the two leaders over the merits of sanctions against South Africa.

Equally close ties with Mozambique, first established under the late President Machel, have been continued through President Chissano, whom she meets during her visit to Zimbabwe. Mozambique is now pivotal in Britain's relations with black-ruled southern Africa. A substantial part of UK aid to the region is going towards the rehabilitation of Mozambique's ports and railways, vital if the region is to reduce its dependence on South African outlets.

Good relations

On her second visit to Africa a little over a year ago, when Mrs Thatcher visited Kenya and Nigeria, she demonstrated that differences over sanctions need not stand in the way of good relations with Africa. And it is Mrs Thatcher's opposition to sanctions that endears her to South Africa's ruling National Party. The net result is that Mrs Thatcher carries more influence in Africa than any British prime minister since Harold Macmillan.

This influence can be put to good effect. Mr Adamishin, now ending a tour of Mozambique, Angola and Zambia, will presumably have been outlining Moscow's reappraisal of its policy towards the region, in which stress is laid on negotiation rather than confrontation, and transition rather than revolution in South Africa. Whether the two visits will produce quick and dramatic results is another matter. In some respects the timing is unpropitious.

New realities

The National Party of South Africa is distracted by a leadership dispute that is unlikely to be settled until a general election, not expected before October. The Bush administration has yet to focus on southern Africa. The African National Congress still falls back on rhetoric rather than taking the opportunity to reappraise new realities.

There are, nevertheless, three issues where Mrs Thatcher's intervention could be persuasive. On Namibia, she will doubtless stress the importance Britain places on free and fair elections, using an African platform from which to convey a message to those in Pretoria who may be tempted to interfere with the UN-monitored transition. On Mozambique, she can throw her weight behind the tentative, US-brokered efforts to bring the government, the rebels and South Africa together for peace talks.

And in Zimbabwe she might urge Mr Mugabe to consider a more flexible response to a changing mood in southern Africa. It was incongruous to hear Zimbabwe's President castigate Pretoria last week within hours of a communique from Havana which highlighted the "constructive spirit" that had marked the meeting there between delegations from Angola, Cuba and South Africa. The essence of the messages is that the case for further reform in South Africa may best be served by stability in the region.

John Gapper reports on how Birds Eye workers reacted to flexible working

The leap of faith that failed

It is dusk outside the doomed Birds Eye factory in Kirkby. The setting sun is casting a red glow across nearby football fields and tower blocks. Day shift workers are emerging from the low building in which they have been preparing ready-made meals in plastic trays for busy young professionals.

A week before, they had booed the factory manager when he announced that all 980 workers at the plant were to lose their jobs this September because their union shop stewards had not agreed to new working practices and 380 redundancies. In the evening light, that defiance has turned to bitterness and uncertain despair.

"He came here to do a job on us, and now he's done it," says one worker of Mark Fitzpatrick, the plant manager. "Flexible working is coming everywhere, but they wouldn't pay us the price for it," says another. "This place has been crucified," says a third, heading for home in the post-war overspill housing estates nearby.

A hundred and ten miles east of Merseyside, a group of women in white coats and hairnets are ripping the cardboard packing off frozen blocks of Scandinavian pollack, and heaving them on to a £10m automated processing line. Machines are slicing the blocks into strips, coating them in breadcrumbs, and deep frying them into golden fish fingers.

These women are on four-hour shifts at Birds Eye Wall's plant in Grimsby, to which half of Kirkby's production will pass when it is closed in September. This is Workstyle, Birds Eye's system of flexible working for its five plants, which won a National Training Award in Grimsby and sparked the end of 36 years of production in Kirkby.

"The point of Workstyle is to use the intelligence of our workers that we have ignored for 30 years, to involve as many people as possible in improving our efficiency. We never listened to them before, we just let them hang their brains on the gate as they came into work," says Tom Woods, personnel manager at Grimsby.

Workstyle, under which groups of workers exercise more control of the production process, and work without rigid boundaries between grades, is hardly altruistic. In existing Birds Eye Wall's plants, a cut of a third of the workforce was demanded. Those remaining were expected to work harder as well as contributing more.

Yet there is something radical at its heart. Like other working practice changes in the 1980s, Workstyle contains a promise of a break with the past: an end to the divide between complacent managers and bored workers, both depending on a middle layer of shop stewards to mediate between them.

The criticism that they wasted workers by treating them as production fodder struck home among managers in the 1960s and 1970s. In a recent lecture, Peter Wickens, personnel director of Nissan, the Japanese car maker, recalled a chat during his days as industrial relations manager at Ford's car plant in Dagenham, Essex with Danny Connor, a communist union convener.

"He said: 'Your trouble is that you don't realise the talent you've got on the shop floor. If you'd only listen to the lads and use them properly, most of your problems would be resolved.' The fact that Danny Connor was the first person to try to stop us doing just that did not detract from the basic truth of what he said," Mr Wickens recalled.

When Nissan built its assembly plant in Washington, Tyne and Wear in 1986, Mr Wickens had learned his lesson. The company grouped its 1,150 production workers in teams and had only two grades of multi-skilled employee. It offered single-status conditions, and tried to use ideas from production line work teams on how to improve efficiency.

Such changes have not been confined to greenfield sites. Although persuading employees to accept new ways of working has been harder in existing plants, many companies have achieved new working patterns by persuading workers that the only alternative is plant closure and a move to a new site uncluttered by the habits of the past.

Birds Eye Wall's (a subsidiary of Unilever) first thought of the changes embodied in Workstyle a decade ago, according to Geoff Williams, employee relations manager. "Our workers were simply under-occupied," he says. "They worked in groups to allow several of them to be in the teabar at any time. We wanted to formalise the groups, but provide fewer people to be in the teabar."

It was not laziness on the workers' part. The problem lay in work organisation, and regular halts to production because of mechanical problems. In 1988, the company estimated that male process workers at Kirkby spent an average of just 19 out of their 38 hours a week working productively. The plant achieved only 52.1 per cent of its production capacity.

In June 1983, the company set out to change things. It announced a four-year closure programme for its ice cream plant in Acton, west London and food plants at Great Yarmouth and Eastbourne, with the loss of 2,200 jobs. Ice cream production was to be shifted to its plant at Gloucester, and food capacity expanded at its Lowestoft plant. New production lines costing £60m were built.

The new lines were treated as greenfield sites. "We did not want to strap the old demarcations onto the new machinery," says Mr Williams. Workstyle was the name given to the new way of working at Gloucester and Lowestoft. Supervisors stepped back from control of production, and groups of workers were made responsible for tasks such as stock ordering.

By 1987, Workstyle was seen to be working at Gloucester and Lowestoft, and process workers were being paid a £7.50 a week supplement. In March, Transport and General Workers' Union stewards representing Kirkby workers asked if they could have Workstyle as well. It was more than the money: it seemed Workstyle would be a commitment to the plant at a time when many workers thought the company would pull out.

'The point is to use the intelligence of our workers that we have ignored for 30 years'

"The thing you have to understand about Kirkby is that industry broke its promise here," says Father Paul Thompson, industrial chaplain of the town. Modern Kirkby was founded after the last world war, when Liverpool workers whose houses had been bombed were shifted out of town to new council estates on the edge of an war munitions works.

Companies were encouraged to move into the munitions buildings with regional development grants and the promise of an accessible workforce nearby. In 1953, Birds Eye joined the others there. But in the 1970s, companies began moving out again to other sites. Unemployment in Kirkby grew steadily, and with it social deprivation.

Birds Eye Wall's agreed within two weeks to try Workstyle at Kirkby. It started with a presentation on March 22 1987 by Mr Fitzpatrick to the workers challenging them to accept a new way of working. "If we do not try this, we will never know if it could have worked. If we do not try, I for one would be pessimistic about the future of the plant," he told them.

However, few workers seem to have been convinced that Workstyle was more than a grand name for cutting the number of workers and raising productivity. Lilian Williams, a process worker at Kirkby for 17 years, says: "We have virtually got Workstyle now. We cover for each other on breaks and we keep our area clean. We do things without being told to do them."

In June, the company's attention switched to its Grimsby and Hull food plants. At Grimsby, 1,080 workers – 1,040 of them women part-timers compared to only a handful at Kirkby – were making fish fingers and packaged meals. The plant was working at 65 per cent of capacity and the company was thinking of moving to a greenfield site at a cost of £30m.

George Tickle, the plant manager, made a challenge similar to that made in Kirkby two months earlier. This one was more specific: the plant would close unless the workers accepted Workstyle. They were given a month to consider it, at the end of which GMB general union stewards representing process workers came back and said yes.

Grimsby workers had been regarded, according to Mr Tickle, as "hard working but without much sparkle." Yet an attitude survey found women workers in particular were eager for change. They were more frustrated than men – 35 per cent thought their jobs never or rarely let them use a wide range of their abilities – keener to work in groups, and happier to take on more responsibility.

Julia Stephens and Julie Johnson, both married part-timers, saw Workstyle as a way of saving a plant that seemed to be closing down around them. Mrs Johnson had been moved several times as the sections in which she worked closed down one after another. "We used to spend our time in the canteen talking about how long we had left," says Mrs Stephens.

The response from the workers was so strong that the company – after securing a £1.2m regional assistance grant from the Government – decided to invest £10m in a new fish finger line. On May 6 last year, a formal Workstyle agreement was signed with the GMB, giving the £7.50 a week pay supplement and an annual bonus linked to performance.

Meanwhile, Workstyle was running into trouble in Kirkby. In March, TGWU shop stewards had turned down an offer on pay increases and redundancy terms for Workstyle, and issued their own challenge: they would not agree to Workstyle unless the company produced an investment plan which demonstrated a long-term commitment to Kirkby.

The idea came from John Farrell, TGWU Liverpool region secretary, who was unimpressed by the Workstyle rhetoric and wanted a flexibility and redundancy deal similar to three others he had signed at local plants. "Birds Eye have a contempt for working people. They think we are puddings who don't understand how multi-nationals work," he says.

By September, company and union had rejected each other's challenge and were trying to force the other to back down. On January 10 this year, TGWU stewards told the Birds Eye Wall's board they had to decide on the future of the factory. On March 3, Mr Fitzpatrick stood in front of the Kirkby workers and told them there would be no future.

"The union is taboo in there at the moment. Everyone is blaming them for selling our jobs down the river," says one fork lift truck driver. But the failure of Workstyle at Kirkby cannot be laid solely at the TGWU's door. If the union finally gambled wrongly, few Kirkby workers ever treated Workstyle as a chance to break with the past.

The gradual abandonment of Kirkby by industry had left them without the capacity for the leap of faith which was part of the Workstyle script. Many are still unclear about what it meant. "We would have accepted Workstyle, but they never put anything on the table. It was all just talk," says Winifred Kelly, a process worker.

The talk is now over as far the company is concerned. An extra £10m investment is to be put into the Grimsby plant so it can take over the prepared meals job from Kirkby. A new redundancy package for the Kirkby workers is planned, better than the company would offer when it wanted to lose only 380 of them.

Bird's Eye Wall's remaining workers seem unlikely to respond readily to TGWU noises about company-wide action to protect Kirkby. "Nobody really wanted to know us two years ago," recalls Eddie Elliott, GMB senior shop steward at Grimsby. "We did not ask for other places to support us. We got on with what was on offer and we turned the factory round."

OBSERVER

Jenkin finds a gap

■ Lord Jenkin of Roding – a former Industry Secretary – has noticed a formidable trade gap and is trying to do something about it.

One of Jenkin's roles, now that he is out of government, is chairman of Lamco, the British subsidiary of Finnpap which is an association of Finnish paper mills. But it is not only paper and related products that have caused the surge in Finnish exports to Britain. Other Finnish goods have also been in demand, while British exports to Finland have been at best stagnating.

In 1980 Anglo-Finnish trade was just about in balance: around Fm6bn each way. Last year Finnish sales to Britain touched nearly Fm12bn. British exports were under FM8bn. The Finnish figure was up over 17 per cent on the year; the British was down nearly four per cent. Although the Finnish rise was across the board, the biggest jumps came in chemicals and metals.

Jenkin has been trying to draw attention to the gap and to stress British opportunities in the Finnish market. He had some initial success in convening meetings of the DTI, the Foreign and Commonwealth Office, the CBI and the various Chambers of Commerce. But the general conclusion was that, nowadays, export promotion is largely up to the private sector.

Thus Jenkin is seeking to set up an independent organisation called Target Finland. It would be essentially a clearing house for companies interested in the Finnish market. He reckons that it needs £50,000-£60,000 as a launch fund and is suggesting that founder members should put up around £2,000 each.

The response so far has not been wildly encouraging. Jenkin, however, has now written personally to some 1,500 potential members inviting them to a meeting at the Hyde Park Hotel on April 26 in an attempt to get the project off the ground.

Carloons

■ There is a splendid choice of cable television at the Rambagh Palace Hotel in Jaipur, Rajasthan, but slight difficulties with the English. Recent programmes include Top of the Pope, Des O'Corner, Murder the Wrole, The Deselt Song, and Carry up the Fungle as well as a wide range of carloons. No mistake, however, with Yes, Prime Minister, which is at least as popular in India as it is in Britain and seems to be shown every day.

Anglo-French

■ The French Gaullists have a good deal in common with Margaret Thatcher's Conservatives, as Alain Juppe discovered when he dropped in on the Prime Minister and Chancellor Lawson over Easter.

Juppe warmed to the theme of Mrs Thatcher's famous Bruges speech. No replacement of national bureaucracies by a new layer of European regulation? The Gaullists could not agree more. Respect for national cultures? Nobody believed in that more than the Gaullists.

Precisely because national cultures were so different, Community members should not have "other models" - Juppe almost said German - of worker democracy imposed on them. On protectionism he said: "We don't want a Fortress Europe, but we don't want a see-through Europe either".

At a brief meeting with the press, Juppe was brought down to earth by a more local matter. "There is a widespread speculation," a questioner

"Of course, being the Easter Bunny is just a part-time appointment."

began, "that you intend to stand as mayor of Bordeaux (in the event of the elderly incumbent's retirement)..."

"Speculation...in *London*?" he asked, visibly astonished that the (doubtless intense) preoccupations of his native Aquitaine should have followed him across the Channel. His answer, incidentally, was non-committal.

Worth meeting

■ Otto Schily, the one-time "bête noir" of the West German establishment who defended the Red Army Fraction terrorists in court and later became a dominant personality in the Green Party, would like to meet Prince Charles.

At a recent press dinner the radical republican expressed *considerable admiration* for the heir to the throne, and subsequent enquiries have established that he would jump at the chance to discuss their shared concern for the future of the planet.

The Prince of Wales has so far shown no known interest in the German Greens, but if he did, he would find that Schily has become rather a *smart figure. He now outrages* his own party more than the establishment with his un-Green taste for the good life and his undisguised contempt for most of his colleagues.

Yet the boyish-looking 56 year-old, who was raised according to Rudolf Steiner teachings, remains a key figure in radical ecological politics and if a Red-Green coalition in Bonn ever came to pass, he might become Europe's first Green minister. Perhaps he should be invited to Britain.

Inspectors call

■ Britain is not alone in having problems with the quality of its food production. An article from the Novosti Press Agency, which admits a rising incidence of botulism and salmonella, records that in 1987 chief sanitary inspectors in the Soviet Union imposed 500,000 fines, stopped the operation of 80,000 enterprises, referred 21,700 cases to to the procurator's office and 5,600 cases to the administrative commissions. "The criminal codes of constituent republics," it says, "envisage special punishment for sanitary rules violations which caused, or could cause, disease outbreaks."

In the near future, it adds, "effective control of food production by the self-employed will present the greatest difficulty, because our country has no such experience."

Japanese joke

■ What do General Douglas MacArthur, supremo of the post-war occupation force in Japan, and Hiromasa Ezoe, the former chairman of Japan's Recruit publishing group, have in common? Both achieved a purge of an entire generation of Japanese political leaders.

Management buyouts

How to avoid potential conflicts of interest

By R.H. Grierson

I recently had the privilege – if that is the right word – of witnessing a giant American buyout at uncomfortably close quarters. The US regulatory scene is not of course the same as that of the UK – more rigorous in some respects and more lenient in others – but the experience yielded food for thought on some of the problems which the new techniques may create in Britain.

Leveraged buyouts (LBOs) come in many different forms; not all of them raise issues of public policy. Indeed it is one of the ironies of the situation that the two features which have provoked the strongest public reaction – the greed of promoters and the substitution of debt for equity – are both relatively unamenable to public rule-making.

In its literal sense a LBO is simply a takeover overwhelmingly funded with borrowed money. As such, its *modus operandi* is covered by the provisions of the Takeover Code and problems arising from leverage are the responsibility of the banking authorities. Provided the buyout offer comes entirely from third parties, no conflict of interest need arise.

It is only when the incumbent management of a company becomes a party to an attempt to buy out its shareholders – a so-called MBO – that substantial possibilities for conflict develop. Even then this risk remains negligible where it is simply a case of a wholly-owned subsidiary being bought by management from its parent (a type of transaction facilitating the disposal by conglomerates of ill-fitting parts of recent acquisitions) and where negotiations take place at arm's length between parties equally in possession of all relevant facts.

It is when these two features – arm's length negotiation and equal access to facts – are conspicuously missing, which is inevitably the case when management attempts to alter the shareholding structure other than with existing shareholders, that public safeguards are needed. However attractive the price offered, the attempt to oust existing shareholders for the benefit of new ones poses at the very least a moral dilemma for management; and this dilemma is often compounded by the exercise of the *newly discovered technique of* "putting companies into play."

Not to put too find a point on it, management in this type of situation all but says to its shareholders: "We are able to unlock hidden values and offer you a price for your shares at which you would have jumped only a few days ago; but this requires you to shut your eyes to the fact that there is still scope for further profit, albeit at some risk, from which we have regrettably to exclude you since we prefer to share it exclusively with our new backers who have agreed to make us a gift of a substantial slice of the equity." One has only to put it this way to see what a head-on challenge this presents to the principle of fiduciary duty and how close it comes to *insider trading*.

The counter-argument of *caveat venditor* does not really hold water. It is true that if shareholders do not like the terms of a deal, they can in theory frustrate it by not accepting the offer. But individual shareholders in large public companies do not remotely possess the powers ascribed to them unless someone takes the trouble to marshal their collective strength. On a few rare occasions skilfully orchestrated shareholders' rebellions have succeeded; but in general, shareholders find it safer in a confusing situation to take their profit and withdraw from the scene.

The attempt to oust existing shareholders for the benefit of new ones poses at the very least a moral dilemma for management

What can be done to curb the element of potential abuse in this state of affairs? The answer is not self-evident. Managements cannot be denied the right to take part in transactions of this kind, especially if the alternative is to let their companies fall into outside hands. The problem is how to *create the necessary safeguards*, bearing in mind that shareholders' interests are not conspicuously served by rules which molest management to the point where it ceases to be able to manage.

The dilemma can be resolved if the intended safeguards focus on specific issues:

● One of the most delicate problems is how to prevent a situation where management has gone so far in mobilising outside support that the board's duty of disclosure could be held to prevail over any other duty; for once this happens, the company is irreversibly "in play." A sensible precaution might be for the Takeover Code to impose on every director of a public company the duty to consult a lawyer *the moment he or she* becomes aware, however informally, of any preparations to this end; a more effective weapon would be for the Panel to let it be known that it might in such circumstances consider waiving the disclosure obligation altogether on the ground that management had unfairly forced the board's hand.

● Boards of public companies must be made acutely aware of the potential conflict of interest between management directors and outside directors when an MBO surfaces and of the need for all corporate powers, including that of dismissing or suspending management for the duration, to pass immediately into the latters' hands. The exercise of these powers represents a severe test for outside directors and calls for the strictest neutrality. (MBOs incidentally highlight the advantage of the Chief Executive Officer of a company not also being its chairman; in the American case of my experience the immediate availability of a non-executive chairman proved an invaluable asset.)

● The key issue, of course, is the introduction by management of outside financial backers into a buyout. When this happens, it should by law become the immediate duty of the board to seek the best available advice to establish whether results comparable to the proposed buyout could be achieved by an internal capital reorganisation for the benefit of existing as distinct from new shareholders; and there is no reason why management's ambition to obtain a large slice of the action could not be accommodated in such a process. It would at least provide a yardstick for measuring the offer.

● The question whether a management team proposing an MBO can be left in place while an auction for the company takes place is a delicate one. It can be argued that this is a matter for business judgment by the outside board members and that suspension of the participants might in some circumstances do more harm than good; but it is a question for the public authorities to ponder.

These or similar precautions would go a substantial way towards curbing the more abusive aspects of management-related buyouts while leaving the field generally open for a type of transaction which may have a useful role to play in a dynamic economy. But one should not lose sight of the fact that however much faith one has in the wisdom of the authorities the best safeguard of all – *pace* my American experience – is the permanently hovering shadow of private litigation. That this is occasionally pushed to excess in the US is undeniable; but it also keeps corporate America more honest than might otherwise be the case.

The author was until recently a member of the Board of RJR Nabisco, Inc.

FOREIGN AFFAIRS

In search of a long-term vision

As Nato approaches its 40th anniversary next week, Edward Mortimer considers its future

The 40th anniversary of the North Atlantic Treaty, which falls in exactly a week's time, deserves to be celebrated with considerable pizzazz.

The alliance has proved one of the most effective peace-keeping devices in history. During four decades, which have seen vicious wars in almost every other part of the world, not one of the signatories to the Treaty has been the object of armed attack in Europe or North America, and Western Europe has enjoyed an age of peace, stability and prosperity without precedent.

Not only that. The Soviet Union now admits that it has fallen behind the West in economic growth, in technology and even in the civilised conduct of human affairs, is ready to learn from Western experience in all of those fields, and has accepted long-standing Western positions in several *areas of arms control*.

A rousing birthday party is surely in order. Indeed a 40th anniversary summit is planned, but instead of being in Washington next week it will be in Brussels in May: a *prosaic setting designed to lower the profile of the event*.

The truth is that Nato does not feel like celebrating. Its position is, a senior British civil servant remarked recently, "like that of the winning team in a tug of war: it *finds itself momentarily off* balance."

Well, maybe it is only momentary. I should say that depends very much on whether Mr Mikhail Gorbachev remains in power and continues with his present policies. If he does, the problem is likely to get more acute rather than less. At its simplest it is this: Nato exists to counter a perceived Soviet threat. If the Soviet Union is no longer perceived as threatening, Nato loses its raison d'être.

In what old-style Soviet propaganda used to call "Nato circles" there is a tendency to see this as essentially a public relations problem: to lament the skill of Mr Gorbachev in "manipulating" Western public opinion and to urge their own side on to greater efforts in this field. According to this view the Cold War goes on, and basic Soviet objectives have not changed. Soviet leadership has simply become more diabolically ingenious. Public opinion has become the main battleground, and since it is assumed that the media shape opinion, we journalists find ourselves solicited for advice: *how can Western policy be better presented?*

My first instinct is to reply: damn the presentation, get the substance right. If Nato governments cannot agree on an issue like the *modernisation of* short-range nuclear missiles, no amount of presentation is going to conceal that.

But behind that disagreement, of course, lies the fact that West German public opinion, especially, no longer perceives the Soviet Union as threatening. Public opinion in other Nato countries is moving in the same direction, but at different speeds. Perhaps not many people are ready to dismantle Nato just yet, but relatively few see the updating of its nuclear arsenal as a matter *of immediate urgency*.

The trouble is, as governments generally are aware but the British and US governments more acutely aware than most, that weapons systems take a long time to develop, and you will not have them when they are urgently needed if you wait until then to start producing them. So the question is not really whether there is a threat now, but whether there might be one in the future. Common sense surely suggests that we should keep our defences in good repair until we are quite sure they will not be needed.

How can Western governments recall that common sense to the minds of their electors? Not, I suggest, by a desperate rush to "seize the initiative" from Mr Gorbachev with headline-catching proposals. Certainly not by talking as if the emergence of a more benign and civilised Soviet Union were somehow a disaster; nor yet by hinting that perestroika is just another communist conspiracy, designed to lull the West into a sense of false security. No one will now convince the Western public that the political and social ferment and economic chaos which the Soviet Union is now going through is all an elaborate smokescreen.

Nor is it a good idea to try to score points off Mr Gorbachev by pointing out what he has *not yet done. Again and again* he has left Western sceptics gasping in mid-sentence by doing the very thing they were smugly asserting he would not do. A subtler tactic, familiar to wartime propagandists, is to make positive predictions or suggestions about what he might do next, so that his actual performance is judged against a high standard.

It is perfectly fair and necessary, on the other hand, to keep on drawing attention to *the existence and modernisation* of the Soviet war machine. The public do need to be reminded of what the Soviet Union still could do in the way of a military attack, even if there is no immediate likelihood that it would want to; and they need also to be reminded that Mr Gorbachev's success, however devoutly to be wished, cannot be taken for granted. There is, after all, a very real possibility that economic chaos, combined with open challenges to the authority of the Communist Party or to the integrity of the Soviet Union itself (or perhaps to that of the Warsaw Pact), will lead to an authoritarian backlash. Mr Gorbachev, or more probably his successor, might then be obliged to take a strongly Russian nationalist and even xenophobic line, leading to a rapid revival of East-West tensions.

But perhaps Nato's problem is that it has focused too exclusively on the Soviet threat, even though that threat is not mentioned in the Treaty, which commits its signatories to common defence against attack from any quarter. These days an attack on Europe from across the Mediterranean is much easier to imagine than one across the Iron Curtain. Of course one would hope to see such a threat deflected by a political strategy, but public opinion would surely see the merit of having military defences to fall back on. Maybe Nato should seek to assert its relevance in the North-South *as well as the East-West* context.

Finally, one reason for Mr Gorbachev's appeal to Western public opinion is that most ordinary people (a phrase that for this purpose includes ex-President Ronald Reagan) instinctively share his feeling that a nuclear-free world is a good long-term objective. Those who do not share it, notably the French and British governments, have good arguments to support their case: the historical record of wars undeterred by conventional weapons, because the balance of forces is so easy to miscalculate; and the need to ensure that one rogue state, or even a group of individuals, cannot suddenly achieve a nuclear monopoly. But it is difficult to get round the fundamental inequity of an argument which asserts that some states must always have nuclear weapons while other states must never have them.

Perhaps Nato needs a *long-term vision as* well as a medium-term strategy, and that long-term vision could include placing a residual stock of nuclear weapons under international control, as proposed by the US in the Baruch Plan of 1946. At the time Stalin indignantly rejected that proposal, seeing it as a transparent ploy to preserve what was then an American nuclear monopoly. Mr Gorbachev today might give a different answer. Even if he did not, Western public opinion might then find the onus of the present nuclear deterrent easier to understand and to accept.

LETTERS

Contradiction at C4

From Mr Edmund Dell.

Sir, I welcome the belated conversion of the Independent Broadcasting Authority to the proposition that Channel Four should sell its own advertising time. However, Raymond Snoddy reports (March 22) that the IBA is proposing that C4, while selling its own advertising time, should become a subsidiary of the IBA's successor body, the Independent Television Commission.

I find it difficult to believe that such a proposal can be seriously contemplated, even though it appeared tentatively as one option for the future of C4 in the broadcasting white paper.

It would mean that a subsidiary of the ITC was selling advertising time in competition with the Channel 3 companies the ITC had franchised and was regulating. It would involve major conflicts of interest, understood by the Peacock Committee which examined the structure of UK television.

That committee, in recommending that C4 should have the option of selling its own advertising time, stated clearly that this must mean that C4 could no longer be a subsidiary of the franchising and regulatory authority for the commercial television industry.

Edmund Dell,
4 Reynolds Close, NW11

Telescope on Taurus

From Mr R.C. Grayson.

Sir, As a member of the Stock Exchange's securities industries steering committee on Taurus (SISCOT), which has been looking into proposals *for the de-materialisation of* shareholdings and share transfers, I would like to correct the impression that may have arisen as a result of Clive Wolman's article on Taurus (March 17).

The committee has not recommended a new Taurus system in place of the one withdrawn by the Stock Exchange last year. Rather it is recommending that a particular proposal for Taurus be looked at in closer detail than has so far been possible. However, it raises issues for companies about their ability to identify shareholders, and about communications between them.

These issues are recognised by SISCOT, and so more work is to be done on a system to keep registrars and companies *as well and speedily informed* about shareholders as they are today, and at a cost which can be supported.

Also to be examined is how small shareholders (who for most companies make up by far the greater proportion of the register) will take part in a de-materialised world. They are not directly represented on SISCOT, and so their attitude to Taurus and its implications is uncertain.

R.C. Grayson,
BP London,
Britannic House,
Moor Lane, EC2

TV-speak must think again

From Mr Chris Quinlan.

Sir, The growing presence of cable and satellite television in the UK compels one to re-examine not only existing policies and practice, but even one's vocabulary.

Thus the existence of *Premiere*, *Sky Movies* and (later) BSB's *The Movie Channel* require established broadcasters to think twice about the once familiar billing: "For the first time on British television . . ."

Meanwhile, the Financial Times announced ("Call to Ease Charity Advertising," March 9) that if charities are permitted this freedom, it will be the first time "since commercial television was launched in the UK in 1955." Under the terms of our code of advertising practice, charities have been afforded this facility on cable and satellite television for the past two years.

Chris Quinlan,
Cable Authority,
Gillingham House,
38-44 Gillingham Street, SW1

Asbestos and health

From Professor Charles Rossiter.

Sir, "Health warning over asbestos substitutes" (March 22) considers the health risks associated with mineral wools – that is, insulating wool made from glass, rock and slag materials. Dr Olav Svane of Denmark is quoted as saying: "Our common sense and professional knowledge tell us that these new types of fibres are just as dangerous as asbestos because they have the same properties."

This is seriously misleading. The mineral wools have the same property as asbestos in that they are fibres, but on the standard definition, so is a broomstick. Although there is some size overlap, the mineral wools are thicker fibres than asbestos, so making it less possible to inhale them. Even when they are inhaled, they break up in the lung, unlike asbestos, and they dissolve in lung fluids. Their survival in the lung is much shorter.

The important health concerns about asbestos are the development of mesothelioma and lung cancer following exposure to crocidolite "blue" asbestos or to amosite "brown" asbestos. There has been no suggestion in any of the studies of workers of any mesothelioma risk associated with exposure to mineral wools.

It is currently accepted that there is a 25 per cent excess of lung cancer (as quoted in your article), but only among those who worked in the production industry more than 30 years ago, when production methods were very different and there were exposures to other agents. The International Agency for Research on Cancer states that there is insufficient evidence to show that mineral wools are carcinogenic to man.

The 25 per cent excess amounts to less than one death per year in the European study of 22,000 workers you cite. It should be compared with the 1,000 per cent excess caused by cigarette smoking, and the 100-400 per cent excess caused by exposure to blue asbestos.

Charles E. Rossiter,
Unit of Occupational Health,
London School of Hygiene and Tropical Medicine,
Keppel Street, WC1

Cross-subsidy confusion

From Mr Alan Roper.

Sir, Mr Boleat, director general of the Building Societies Association, asks (March 16) how the argument, that the loss of conveyancing would affect solicitors' ability to provide other services (particularly in small communities), can be reconciled with the argument that banks and building societies should not be allowed to subsidise conveyancing from other services.

In raising this question, Mr Boleat is confusing the cross-subsidy situation with the boots and shoelaces situation.

A shoe shop sells shoelaces without a cross-subsidy element from the sale of shoes, but it would not be practicable or profitable to set up a shop simply for the sale of shoelaces. It is not a matter of cross-subsidy. It is a matter of financial viability.

Alan D. Roper,
Court Chambers,
3 Victoria Street,
St Albans,
Hertfordshire.

Most jobs will soon need more brain skills than muscle

From Mr Ron Leighton MP.

Sir, Does the Youth Training Scheme do more harm than good? Despite some good schemes, it seems likely.

YTS does little to redress the acute skills gap which exists in Britain – in some ways it perpetuates it. 50 per cent of participants are in trades like retailing, where there are no shortages. YTS does not achieve the qualifications for the new technology jobs.

Furthermore, YTS encourages youngsters to leave school – by paying them to do so. We should pay an allowance to those who stay on.

Every other industrialised country provides full-time education until at least 18. By the end of the 1990s, 70 per cent to 80 per cent of UK jobs will be "knowledge-based," needing more brains than muscle. 35 per cent to 40 per cent will need brain skills of the order of a further education degree or similar qualification.

We shall never obtain this on present policies. Our young people should be in full-time education until 18, either in a vocational stream modelled on the German "dual" system, or in further and higher education.

If not, we shall fall behind not just the US, Europe and Japan, but Korea and Taiwan as well.

Ron Leighton,
House of Commons, SW1

FINANCIAL TIMES
Tuesday March 28 1989

Janet Bush on Wall Street

Advertising a shift in attitudes

MERRILL Lynch's recent annual luncheon for financial journalists kicked off with a snappy video summing up the 1980s. There were snapshots of former President Ronald Reagan, the Challenger disaster, children dying in Africa, PLO leader Mr Yassir Arafat, the October 1987 stock market crash and a bull (the firm's symbol) walking through a china shop.

The question was then posed what would define the 1990s, and the video closed with a voiceover of Mr George Herbert Walker Bush being sworn in as president.

It was difficult to determine what all this said about Merrill Lynch. You got the feeling, though, that this is an impressive company, intimately concerned with the future of America and one which cares about events across the world.

The securities business is so competitive that image projection and advertising are vital to the big Wall Street brokers. Image has never been so important.

"The market place for world investment banking is changing very swiftly. Corporations have to deal with a lot of issues such as globalisation, 1992, third world debt and public policy questions about subjects such as leveraged buyouts," said Mr David Sawyer, chief executive officer of Sawyer/Miller Group, corporate and political strategists and image consultants.

Sawyer/Miller was hired by Drexel Burnham Lambert and devised a controversial but acclaimed positive image campaign while the firm faced charges of securities fraud.

Drexel ran a television campaign in the run-up to the Securities and Exchange Commission's indictment, highlighting the good which has been achieved by junk bond financing. Among other things, the commercials showed how Drexel had helped finance play school schemes and middle income housing. One advert focused on healthcare.

That campaign was unusual in addressing the peculiar circumstances Drexel faced. Most security house advertising tends to be blander.

The bread and butter of brokers' campaigns are factual press ads. But firms with big retail businesses supplement these with television adverts giving a broad corporate image.

Ms Catherine Kaputa, director of advertising at Shearson Lehman Hutton, says the company wants to be seen as smart and innovative. As well as broad image adverts – its globalisation is highlighted against footage of a brilliant sunrise – Shearson also runs quick campaigns on particular subjects.

One ad suggested investment in two drug stocks while another focused on mergers and acquisitions in which Shearson was involved. "We hope that being upfront will win new clients," says Ms Kaputa. "We are in the business as financial advisors and we say what we think."

In this spirit, Shearson pins its colours to the mast at the beginning of each year with ads detailing its economic forecasts.

Merrill Lynch, according to its director of corporate advertising Mr Charles Mangano, wants to show that it is intelligent, has integrity, a commitment to client service and a broad depth of resources.

Its image ads have a patriotic, old world feel, from the young soldier going off to war and telling his sweetheart to invest in war bonds to the youthful broker musing on what can be achieved in America as he sets off on a train to settle in a new town.

As attitudes change, though, so there is a discernible shift in the approach to adverts.

Ms Jane Fitzgibbon of Ogilvy & Mather says: "Advertisers cannot take too many risks but the brokerages play the percentages of reading the climate of the times."

Since the crash, the tone of brokers adverts has become more conservative. Merrill Lynch, for example, shifted from a slogan "Your world should know no boundaries" to "A Tradition of Trust."

"We knew even before October 19 that the focus on the 'me-generation' of the 1980s was changing and were planning a change in our message. The crash just accelerated a gradual shift in attitudes," says Mr Mangano.

By October 21, Merrill came out with ads advising prudence and a steady head. Shearson quickly came out with ads telling investors that their offices would open late for the next two weeks and inviting them to come in and talk.

Ozal to carry on despite poll blow

By Jim Bodgener in Ankara

TURKEY'S ruling Motherland Party (ANAP) was still reeling last night from a resounding defeat in Sunday's local elections by the main opposition Social Democratic Populist Party (SHP).

The Government yesterday sought to reassure foreign interests that the outcome of the elections would not affect the balance of politics nor its policies. It added that joint ventures and other agreements would be honoured.

ANAP'S defeat included losing the country's three largest cities - Ankara, Istanbul, and Izmir - to SHP candidates in a poll which covered voting for mayors and assemblies in 2,000 cities and towns.

The results immediately fuelled speculation about an early general election. However, Mr Turgut Ozal, the Prime Minister, said yesterday that his government would complete its second term.

"Early general elections are out of the question," Mr Ozal said. "We were given a mandate until 1992 in the 1987 (general) election and we shall continue to use this mandate in the service of the country."

ANAP has a parliamentary majority of 289 out of 450 seats.

Mr Ozal also rejected speculation about his resignation, although the result has probably dashed any undeclared designs he might have had on the presidency when President Kenan Evren steps down in November.

The vote was clearly a protest against the government's inability to curb inflation. This peaked in November at an annualised rate of 87 per cent, falling back in February to 72 per cent.

Turkish voters have become increasingly disenchanted with Mr Ozal's neo-Ottoman, opulent lifestyle, and distanced, personal rule surrounded by his family and close advisers, according to most observers. Added to this have been rumours of nepotism and corruption in government.

Voting for the provincial councils - accounting for nearly half of the 28m ballots cast - indicated a rout for ANAP, which came a poor third with only around 22 per cent of the poll, compared with 28 per cent for the SHP, led by Professor Erdal Inonu. Behind the SHP with 26 per cent came the third largest parliamentary grouping, the True Path Party (DYP) led by former premier Mr Suleyman Demirel.

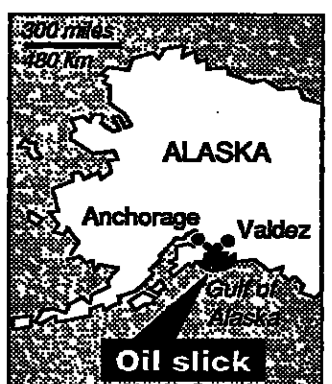
Level-pegging with around 9 per cent were the Democratic Left Party led by former premier Mr Bulent Ecevit and the Welfare Party led by Mr Necmettin Erbakan. The provincial councils are generally considered a more reliable barometer of national voting preferences than mayoral polls.

The biggest and most surprising setback for ANAP was in Istanbul, previously considered an impregnable bastion.

In Ankara, ANAP's Mr Mehmet Altinsoy lost heavily to the SHP's Mr Murat Karayalcin. Mr Karayalcin ascribed his victory to the general protest against inflation, and also to his party's commitment to turn away from Mr Altinsoy's paternalistic approach.

Holed tanker crew face probe as Alaska clean-up continues

By Our Foreign Staff



AN INVESTIGATION has been launched into the holing of the tanker Exxon Valdez in Alaska, as efforts to clean up damage resulting from one of the worst recorded US oil spills continue.

The interruption caused to oil supplies boosted oil prices.

The 987-foot tanker Exxon Valdez, carrying 1.2m barrels of North Slope crude, ran onto a reef 25 miles from the port of Valdez early on Friday after swinging out of a traffic lane to avoid ice. Valdez is at the southern end of the 800-mile Alaska oil pipeline.

The National Transportation Safety Board launched an investigation into the affair on Sunday, and has issued subpoenas for Captain Hazelwood, Mr Gregory Cousins, the third mate and helmsman Mr Robert Kagan, the third member of the bridge crew.

Exxon said that Mr Cousins, a crewman without proper certification was in command when the tanker apparently hit two rocks and ran aground. Ms Sharon Curran-Wescott, an Exxon spokeswoman, said yesterday that the company believes the captain was on the bridge when the accident occurred, but that the third mate was in command. Mr Cousins had broken federal regulations she said.

Mr Brian Dunphy, another Exxon spokesman said that Capt. Joseph Hazelwood was consulting an attorney. Capt. Hazelwood was relieved of his command, but to give him rest, not as a disciplinary measure, officials said.

Environmentalists were worried that the accident had seriously damaged valuable fishing grounds and teeming marine life in the sound, 100 miles (160 km) southeast of Anchorage. The slick grew to 100 square miles (260 sq km), the US Coast Guard said, and winds threatened to hamper clean up efforts.

Mr Steve Cowper, Alaska's Governor declared a state of emergency and crews began burning some of the 11 million gallons of crude oil which gushed from the tanker.

The accident interrupted the flow of oil from the Aleyska pipeline, which carries all crude oil from Alaska's North Slope, cutting US crude supplies by a quarter, giving a boost to prices.

Gasoline and heating oil jumped more than 1 cent a gallon yesterday in New York, and crude oil prices also leaped. In Monday's early trading on the New York Mercantile Exchange, the May contract for West Texas Intermediate, the benchmark grade of US crude, was up 57 cents from Thursday's close of 20.15 dollars, trading at 20.72 dollars per 42-gallon barrel.

The operators of the pipeline, who had earlier cut the flow through the pipeline to 800,000 barrels per day from 2m b/d, said they expected the flow of oil to return to normal by Monday.

King Fahd signs peace pact with Iraqis

By Barbara Slavin in Cairo and Andrew Gowers in London

SAUDI ARABIA and Iraq yesterday signed a non-aggression pact in an apparent move to ease concerns among conservative Arab Gulf states about Iraqi political ambitions after the Gulf war.

King Fahd of Saudi Arabia, at the end of a three-day state visit to Baghdad, unexpectedly signed two agreements with President Saddam Hussein of Iraq, governing relations between the two countries.

Later yesterday, King Fahd received a fulsome welcome in Cairo on his first official visit. The trip formally marks the end of a decade of ostracism of Cairo by other Arab states since Egypt signed a peace treaty with Israel.

Egypt hopes the visit will bolster its debt-burdened economy and strengthen a moderate Arab position on peace talks with Israel.

No details of the Iraqi-Saudi accords were available. However, the Iraqi President said they set out "the concept of non-interference in the internal affairs of the two sisterly countries and non-use of force and armies between the two states."

The mention of force took observers by surprise, because Saudi Arabia was Iraq's leading ally during the latter's eight-year war with Iran. Since last summer's ceasefire, however, other Gulf states are known to have become nervous about Baghdad's wider regional ambitions. Kuwait, which recently failed to resolve an outstanding border dispute with Iraq, has been especially edgy.

Saudi concerns have been awakened by the formation last month of the so-called Arab Co-operation Council, grouping Iraq, Egypt, North Yemen and Jordan. While the members insist that the council is not meant to compete with any other Arab bloc, the Saudis may well interpret it as a bid for regional dominance by Iraq.

European diplomats in Egypt said this perception may have prompted King Fahd to make his trip to Cairo, which had been expected since Saudi Arabia restored diplomatic relations with Egypt in November 1987.

"The result [of the creation of the council] was immediate," said one diplomat. "Fahd has finally come. The question is how much money he has *brought.*"

The Saudi visit comes when the Egyptian economy is floundering and the Government of President Hosni Mubarak is under intense pressure to reach an accord with the International Monetary Fund which would allow it to reschedule a portion of its $43bn foreign debt and unlock new lines of credit.

Central Bank reserves are effectively exhausted and Egypt is suffering a severe shortage of wheat and flour.

Press reports, certainly over-optimistic, have suggested that Saudi banks would lend Egypt $2bn to import staple foods. A more plausible figure, diplomats said, would be between $250m and $450m, perhaps as a grant.

Saudi support would bolster Mr Mubarak before a scheduled visit to Washington next week. The Egyptian President is likely to be pressed to reach an accord with the IMF.

Mr Mubarak will press, in turn, for more vigorous US involvement in the Middle East peace process. The Fahd visit is especially timely in that context, because it follows a mini summit of Mr Mubarak, Jordan's King Hussein, and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, in Egypt last weekend.

Opec in bid to sustain oil rally

By Steven Butler in London

A GROUP of key oil ministers from the Organisation of Petroleum Exporting Countries arrives in Vienna today in an effort to sustain the current rally in world crude oil prices.

The meeting of Opec's eight-member Ministerial Monitoring Committee is set to convene tomorrow amid strength in oil markets that was completely unanticipated three months ago, when Opec agreed to drain 3m barrels a day out of world oil supplies by slashing production to 18.5m b/d.

Yesterday, crude oil futures hit their highest levels since August 1987 in New York in reaction to a steep reduction in the flow from an Alaskan pipeline after a tanker ran aground on Friday. The May crude futures contract traded as high as $20.61, up 46 cents. However, a spokesman for the Alyeska Pipeline Service company said the key pipeline may be back to its normal flow of 2m barrels per day by late last night.

Oil prices had also risen strongly last week, with North Sea Brent crude for May delivery hitting $18.70 a barrel on Friday.

The markets have been buoyed by a series of accidents and equipment failures in the North Sea that have taken about half a million barrels a day of low sulphur crudes from the market. A further incident occured on Friday when Marathon Oil's Brae A platform was hit by an explosion and fire.

Prices have risen further than even oil market bulls had expected, with markets virtually ignoring bearish news.

The ministers will be certain to face pressure from some Opec members to endorse an increase in the Opec production ceiling for the second half of the year. Although this would be decided upon at a full Opec ministerial conference, scheduled for June, any decision taken this week in Vienna would be critical since the most powerful Opec countries would be represented.

The meeting, to be attended by ministers from Algeria, Nigeria, Indonesia, Kuwait, Saudi Arabia, Iran, Iraq, and Venezuela, will also examine reports on the production of individual members.

There is also uncertainty about the current strength of demand, which grew rapidly in the fourth quarter of 1988 because of a series of one-off factors that absorbed a huge surge in Opec production.

Analysts point out that high oil prices may have already begun to reverse a trend in the last quarter in which industrial plants with dual-firing capability were switching from natural gas to heavy fuel oil.

The Paris-based International Energy Agency estimates oil consumption in the developed countries will grow by less than 2 per cent this year, compared to 2.6 per cent in 1988.

German boost for UK Telepoint

By Terry Dodsworth, Industrial Editor

TELEPOINT, a revolutionary pocket telephone system developed in the UK, looks set for a breakthrough in the West German market.

The Bundespost, Europe's largest telephone operating company, is applying to join the consortium headed by British Telecom, the privatised UK telecoms group, to run a Telepoint system in Britain. If the application succeeds, the Bundespost aims to use the technological expertise developed in the UK to set up a similar system in Germany using the British standards.

"We are opening negotiations with British Telecom on this subject," says Mr Peter Striebel, of the Bundespost's mobile telephone division. "But whatever happens we shall have Telepoint in West Germany. There is no doubt about it."

Telepoint Services are due to be launched later this year in the UK. They work by connecting calls from small portable handsets into the public telephone network through a radio link accessible at certain prescribed points over a range of about 200 metres.

Advocates of the system, which allows users to make calls but not to receive them, see it as a cheap alternative to cellular car 'phones.

According to Mr Striebel, West Germany is highly likely to join the UK in formulating a common European standard for Telepoint. The establishment of such a standard, which has also received some support from France, would allow a common Telepoint network to be developed throughout the region, so that users could make calls from outside their own countries.

At the same time, however, West Germany is likely to press ahead with the development of a distinctive German Telepoint technology. If this proceeds, the two systems will be run alongside one another and in competition.

The addition of the Bundespost to the BT consortium would give the group an unrivalled position as a potential supplier of international Telepoint services. BT already has two overseas partners in Nynex, the New York telephone company, and France Telecom.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	-	-	-	Malta	S	20	68	Rhodes	S	20	68
Algiers	C	20	68	Edinburgh	F	13	55	Manchester	S	14	57	Rio de J'o	F	35	95
Amsterdam	S	16	61	Faro	F	20	68	Manila	C	34	93	Rome	F	24	75
Athens	S	17	63	Florence	C	23	73	Melbourne	F	20	68	Salzburg	S	19	66
Bahrain	R	24	75	Frankfurt	S	17	63	Mexico City	F	25	77	San Francisco	R	11	52
Bangkok	F	33	91	Funchal	S	20	68	Miami	C	26	79	Seoul	F	13	55
Barcelona	F	17	63	Geneva	F	17	63	Milan	S	21	70	Singapore	S	30	86
Beirut	F	21	70	Gibraltar	F	17	63	Montreal	S	03	37	Stockholm	C	06	43
Belfast	F	11	52	Glasgow	F	13	55	Moscow	C	05	41	Strasbourg	S	18	64
Belgrade	S	16	61	Guernsey	S	14	57	Munich	S	17	63	Sydney	R	16	61
Berlin	F	16	61	Helsinki	F	07	45	Nairobi	C	25	77	Taipei	F	23	73
Biarritz	S	23	73	H. Kong	F	21	70	Naples	S	20	68	Tangier	C	18	64
Bombay	S	30	86	Innsbruck	S	19	66	Nassau	F	28	82	Tel Aviv	F	21	70
Bordeaux	S	30	68	Inverness	F	12	54	New Delhi	C	30	86	Tenerife	F	17	63
Brussels	S	19	66	Islamabad	C	21	70	New York	C	19	66	Tokyo	C	13	55
Budapest	F	18	64	Istanbul	F	13	55	Nice	S	16	61	Toronto	C	01	34
B. Aires	F	24	75	Jakarta	R	33	91	Nicosia	C	16	61	Tunis	S	21	70
Cairo	C	24	75	Jersey	S	15	59	Oporto	S	20	68	Valencia	F	17	63
Cape Town	S	24	75	Jo'burg	F	24	75	Oslo	F	09	48	Venice	S	18	64
Caracas	C	27	81	Lima	F	27	80	Paris	S	22	72	Vienna	C	18	64
Casablanca	-	-	-	Lisbon	C	17	63	Peking	F	16	61	Warsaw	C	10	50
Chicago	R	25	77	London	F	18	64	Prague	S	15	59	Washington	C	08	46
Cologne	S	19	66	Los Angeles	F	18	64	Reykjavik	F	03	37	Zurich	S	16	61
Copenhagen	S	11	52	Luxembourg	S	18	64								
Corfu	S	23	73	Madrid	F	23	73								
Dallas	C	18	64	Majorca	S	20	68								
Dublin	F	13	55	Malaga	S	20	68								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Playing safe with Mickey Mouse

Whether it is a real train going under a real Channel, or a flight simulator that shoots its passengers into an orbit of fantasy, it is much the same to SG Warburg. This summer's likely sale of $1bn shares in Euro Disneyland is going to be Eurotunnel all over again, a second lesson to European investors in the art of cash flow analysis.

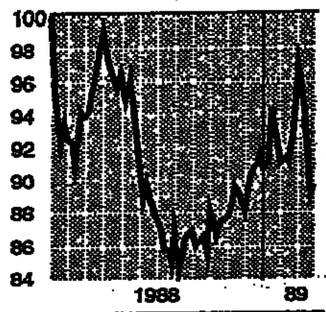
It should be easier this time, and not just because the near-threefold rise in the Eurotunnel price has brought into vogue the notion of valuing equity rather like a bond. Like Eurotunnel, Disneyland will eat up cash during the construction phase, and then produce it in relatively stable and predictable quantities once the theme park opens in 1992; so the share price is simply the present value of the future flows. But compared with Eurotunnel the risks are tiny - which unfortunately means the return will be a good deal lower to match.

In the case of Eurotunnel, a group of miscellaneous managers set about tunnelling into the unknown; this time a management that has done it three times before is simply rolling out the same old fantasy once again. The financing of Euro Disneyland is designed further to limit the risks - and hence the returns – with gearing that will bear little resemblance to the 400 per cent of Eurotunnel. Revenues also look fairly certain, and the 11m visitors expected at the Paris park in the first year seem safe, given the 14m drawn from a smaller area who queue in the smog to visit the Tokyo version. The biggest comfort of all is the profitability of the existing parks, which last year made operating profits of $565m on revenues of $2bn. Theme parks are still by far the most successful part of the company; without them Walt Disney shares would not have outperformed the market fourfold in the five years since paying off Mr Steinberg.

The danger, as ever, is that the thing will be priced too meanly. Disney itself must be anxious not to give too much away - and is cross enough already about having to sell 51 per cent of the venture to the French (or rather to Europeans, at the insistence of Brussels). Once the park is open, a case can be made for setting return to investors roughly in line with the leisure sector average - say 12 per cent or so. The real horsetrading will be over the implicit return in the first two and a half years. Clearly the 42 per cent built into the Eurotunnel issue price would be still more ridiculous for this venture; even 20 per cent might seem out of line with the risks.

Bass

Share price relative to the FT-A All-share index



However, $1bn is a lot of equity to raise from investors not used to this sort of financing. Moreover, theme parks do not seem particularly popular with the institutions, if the recent refusal to put up a mere £75m for WonderWorld in the UK is anything to go by. Still, Corby is not Paris, and Messrs Quicke and Baptist are not Walt Disney. And when it comes to theme parks, big is without a doubt better. Indeed, it would take all the WonderWorld equity and more to build just one of the more wondrous Disney rides.

Brewers

Last week's 500-page brewing report from the Monopolies Commission has left the industry and its analysts in a state of severe overload. Since the big brewers have not yet had time to think out their strategies, there is little point in the stock market making snap decisions on winners and losers. But for the industry as a whole, a broad picture is emerging of the likely effects on brewing on the one hand, and retailing on the other.

It seems clear that over the next few years at least, the MMC's recommendations mean lower profits for UK brewing overall. The report looks forward explicitly to lower wholesale prices, which must surely be true for an industry suffering from overcapacity and forced for the first time to compete throughout the market. Some brewers might argue that they sell at full price to the free trade at present. But the free trade as it stands is one thing; if such as GrandMet and Allied, with 6,000-odd pubs apiece, were to sell their breweries and turn into free house chains, they would have a degree of purchasing power quite new to the industry.

Add to that the extra expenditure required on marketing and customer service, and it is easy to see why the market hopes that overseas buyers will ride to the rescue. Even so, the odds are that breweries will be going at a discount. This should not harm the balance sheets of the sellers, most of whom have their breweries in the books at well below replacement cost; and in any case, along with the brewery will come the brand – Watney, Whitbread or whatever – which is not in the books at all. But even those brewers who are most convinced that their strength lies in retailing are bound to agonise over the decision.

And what of the price of pubs? Last week's headlines of 22,000 for sale suggested a glut on the market. But the true figure could be less than a fifth of that; and besides newer buyers like Messrs Walker and Virani, regional brewers, now free from uncertainty, can snap up pubs to the limit of 2,000. Until lately, the boom in pub prices looked to have reached unsustainable levels; but if the new regime means higher profits for the landlord, it should to that extent mean higher values for pubs. It is also highly significant that whereas the MMC's 1969 report on brewing recommended loosening the licensing regime, the latest report is silent on the topic. Pub licences, it seems, are like land: they are not making them any more.

As for stocks in the brewing sector, it is worth pointing out that many are scarcely affected at all. More than half the whole sector capitalisation is accounted for by Guinness, GrandMet, and Allied. The first of these owns no pubs, and is far bigger in distilling anyway: and for the other two, beer production is a minor part of the whole.

It also looks as if Bass could be in a formidably strong position as brewer. It seems implicit in the blocking of Elders' bid for Scottish & Newcastle that no-one is to be allowed to challenge Bass's position as producer of 30 per cent more beer than its nearest rival. Bass is also in the unique position of owning all its lager brands outright, and having the strongest and best-supported ale brands in the market. As the UK's biggest pub owner, it would be in a serious position if it were not allowed to split itself into two. But since that would presumably involve unleashing a further 5,000-odd pubs on the market, others would feel the pain as well.

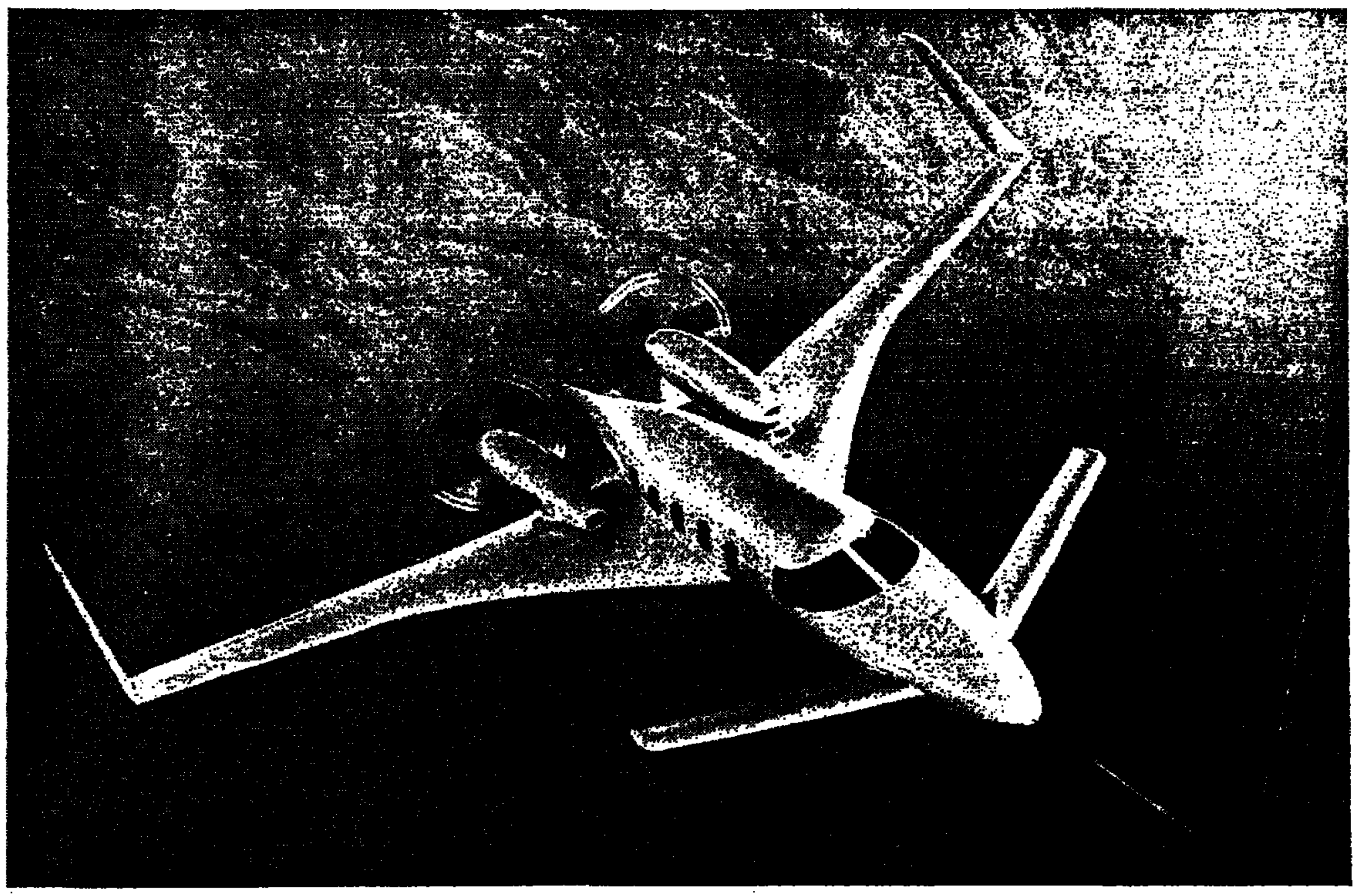
SECTION III

FINANCIAL TIMES SURVEY

Perhaps it is just because up to half of those who fly no longer do so purely for pleasure that they need (and usually can afford to pay for) better facilities. But are business travellers getting a fair deal, from airlines or airports?

Michael Donne reports

Business Aviation



The faces in the crowd

BUSINESS AIR travel, either with the scheduled airlines or privately through company-owned or leased aircraft, is now one of the fastest growing segments of international commercial aviation.

Although the substantial growth in the volume of low-fare charter air traffic over recent years captures the headlines, and is undeniably of considerable significance to all airlines, the business air traveller remains their primary target, for a wide variety of reasons.

The first is that he or she is prepared to pay more for the journey involved. The second is that the market itself is expanding, as economic growth in many countries — and especially those of South-East Asia — generates a class of business traveller possibly even more conscious of status than in the already air transport-saturated countries of the Western world.

As the gulf between the cheap-fare travellers and the business classes widens, the latter become ever more aware of their importance to the airlines, and more demanding in the quality of service they require. At the same time, the competition among the airlines for their custom itself is intensifying.

In the UK, the "battle of the business classes" between the airlines is especially fierce. On short-haul domestic routes, the competition has escalated with the introduction of other airlines such as Air UK, British Midland and Dan-Air onto routes formerly flown by British Caledonian (now taken over by British Airways).

On the international routes, airline rivalry is even more intense, with Air Europe now building a major network of regional operations throughout the Continent, and with Dan-Air now the major UK airline serving France — with a range of destinations exceeding those of British Airways. Airlines like Britannia and British Island, which used to be mainly charter operators, have won new scheduled routes between the UK and various European destinations.

In many cases, these new services are being specifically aimed at the business traveller, with higher-quality service, and often accompanied by lower fares than those offered by BA, with the result that business travellers today probably have more choice than ever before — although whether those travellers are entirely happy with what they get for their money is debatable.

This degree of competition seems likely to grow in the run-up to 1992, the target date for a complete liberalisation of air services throughout the 12 countries of the European Community.

Whether that will be achieved within the comparatively short time left remains to be seen, but undoubtedly there will be considerable further progress towards liberalisation in that period. Moreover, what is not achieved by the end of 1992 will inevitably be accomplished in the few years immediately following.

On the long-haul routes, Virgin Atlantic Airways, founded by Mr Richard Branson, chairman of the Virgin Group, is now expanding rapidly, and is taking over the mantle, formerly held by British Caledonian, of rival to British Airways as Britain's No 2 long-haul international airline.

Virgin already flies from Gatwick to Newark (New York) and to Miami. On May 1 it starts flights to Tokyo, and in August to Kennedy, New York. Next year, it will fly to Los Angeles, Boston and Orlando, Florida, and has its sights also set on flights in the early 1990s to Hong Kong, Singapore and Australia (Sydney and Melbourne).

In all these operations, Virgin is making a major bid to attract business class passengers, conscious of the strong competition on all those routes from British Airways, which has in turn significantly improved the quality of its own first-class and business class operations, while on each route the foreign flag carriers involved will also be fighting harder for a share of the traffic.

The result can only be a better deal for the business traveller, either through cheaper fares and higher quality in-flight and on-the-ground service, and probably both.

British Airways has recently begun a series of "customer forums," in which senior airline executives meet face-to-face with 150 or so of BA's top customers to find out what they want from the airline.

Sir Colin Marshall, the airline's chief executive, summarises the scheme: "We take enormous trouble to find out what our customers think for one simple reason — if we do not give them what they want, they will soon cease to be our customers." Other airlines could well follow that advice.

While the airlines will thus continue to cater for the vast majority of business air travel demand, a growing volume of traffic is also now being handled by the business aircraft element of what is usually termed "general aviation" — the title given to all aircraft operations outside commercial airlines and military aviation.

In North America, and especially the US, the use of small aircraft, either turbo-propeller or jet-powered for corporate or individual business executive use, is widespread. It is recognised at all levels of industry as a useful tool of management, contributing significantly to the overall profitability of the organisations concerned.

Indeed, many of the companies in the US using their own aircraft are astonished at the inability of those in other countries to recognise the value of such a business tool, even accepting that in those countries different conditions prevail — such as shorter distances between locations to be visited and a denser system of surface transport, and even a smaller number of available business airfields.

The problem in the UK and Western Europe is more a question of educating commerce and industry — as well as governments and regulatory authorities — into the benefits of business aviation. It is usually the case that, once companies on this side of the Atlantic are converted, they become just as enthusiastic as their US counterparts. However, as in the US, it takes a long time to make the regulatory authorities understand and appreciate the contribution to economic growth that business aviation can and does make.

The benefits are many — not just the significant savings in costs when compared with the substantial outlays most companies incur annually on scheduled business class air travel with overnight hotels and surface transport costs, such as taxis and private cars, but also the reduction in wear and tear on busy executives, and the increased convenience and operational flexibility of having one's own aircraft readily available.

The secrets of the successful use of business aircraft are discussed later in this survey, but they primarily lie in careful preliminary research to establish precisely what an individual company's requirements are, and either buying or leasing the most suitable aircraft for the tasks envisaged, either fixed-wing or rotary-winged (helicopters).

But it also has to be admitted that, in Western Europe as a whole, and especially in the UK, the governmental and regulatory climate is less favourably disposed to business aviation than in the US.

This largely stems from increasing congestion in the air arising from the growth in scheduled and charter operations by the commercial airlines themselves, and the tendency on the part of governments and airport organisations to give priority to those operations.

At a recent meeting in Montreal of the International Business Aviation Council (IBAC), representing the business aviation associations of the US, Canada, the UK, France, West Germany and Australia, concern was expressed that serious restrictions on business aircraft operations, as commercial airline operations increased, might well threaten the long-term contribution that business aviation makes to international trade.

IBAC pointed out that the

Continued on Page 6

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First deliveries of the US eight-seat Beech all-composite twin-engined turbo-propeller Starship 1 business aircraft, in production at Wichita, Kansas, are due this spring to US customers. European buyers will have to wait until later in the year. Beech recently set the price for a fully-equipped electronic Starship at a mere $3.88m (£2.25m)

BUSINESS AVIATION 2

Michael Donne, Aerospace Correspondent, looks at the effects of "the battle of the business classes"

Better value for money, and a bigger choice

AS AIR travel itself expands, with an expected doubling of the overall volume of world scheduled service traffic by the end of this century, so the volume of business travel is also growing.

Quantifying the proportion of all air passengers travelling solely for business reasons is difficult. Some travellers combine business with leisure purposes; some airlines have different definitions of what are business and leisure travellers; and many routes that for many years have been primarily business routes are also now becoming tourist routes in their own right, while even some hitherto predominantly holiday routes now carry a growing volume of business traffic.

In broad terms, however, about one-third to one-half of all air travel is now believed to be in some way business related.

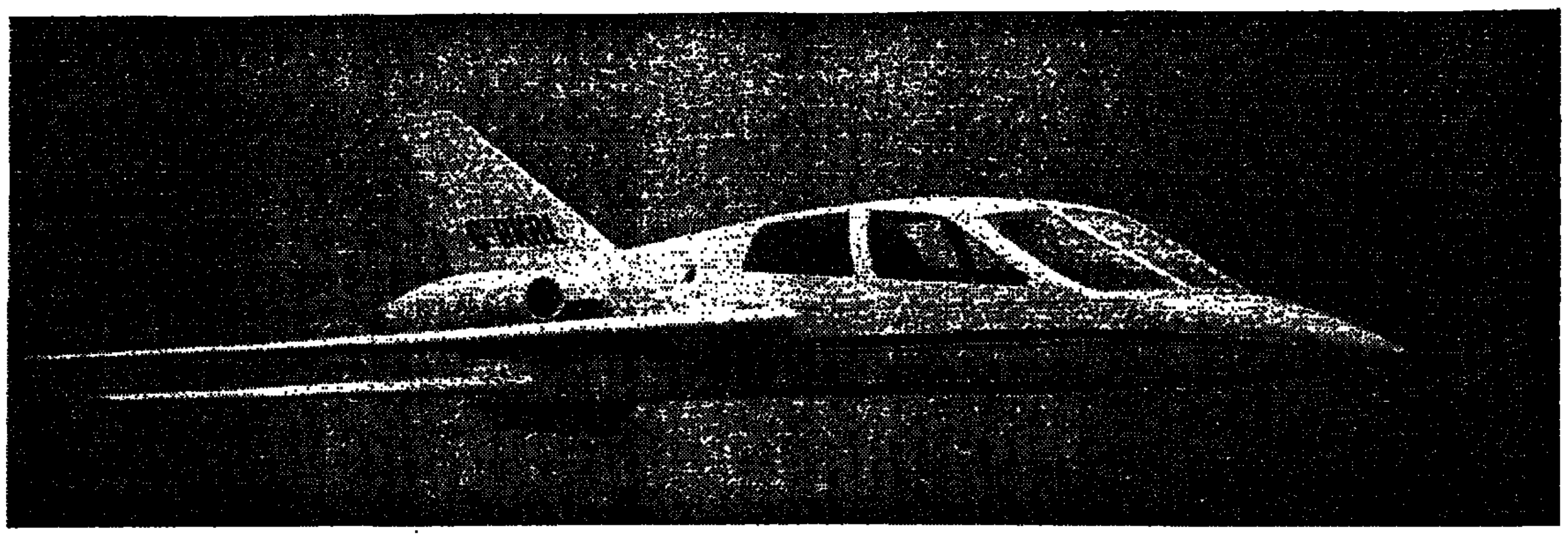
This is having a major impact upon airline revenues, for business travellers traditionally pay higher fares, but also demand a higher quality in-flight and even ground-based service.

As a result, the competition among the airlines for such traffic is fierce, and intensifying, for it is being counter-balanced in airline revenue terms by the pressures for ever-cheaper tourist and leisure fares, leaving the airlines little option but to woo the business traveller with every device possible in order to improve their overall revenue yields.

The ferocity of the "battle of the business classes" is well understood by a scrutiny of airline advertising in any glossy upmarket business or even general interest magazine, in any country and in any language.

And, to be fair, the airlines are responding to the demand, in that the benefits now offered to the higher-fare business travellers are undeniably substantial, and are increasing all the time.

Business travellers, in terms of overall value for money, are probably better served now than they have ever been, with a greater choice of services, especially since the growth of competition is increasingly putting more than just two flag carriers on any given route.



The CMC Leopard, developed by Designability of Dilton Marsh, Wiltshire, under contract to Chichester-Miles Consultants of Ayot St Lawrence, Herts, made its maiden flight in December. The aim is to establish production of this new type of small twin-engined jet aircraft for world-wide marketing in the early 1990s

The improvements cover virtually every aspect of business travel, including not only airborne improvements with better qualities of seating and other comforts such as improved food and wine, and steadily improving standards of cabin service, but also significantly improved amenities on the ground, both "air-side" in the shape of lounges where passengers can wait for their flights withdrawn from the congested general passenger waiting areas, but also "ground-side", with speedier check-in facilities, valet services for car parking, and secretarial and other assistance.

All of these developments are welcome, and well patronised, and undoubtedly need to be increased, for the requirements are well understood, and virtually all scheduled airlines are anxious not to be be left behind by the competition, as the passenger surveys conducted by the business travel magazines to find the "airline of the year" and so on, indicate.

But there is still much to be done, for the battle is one that is never likely to be won, and the battlefields are changing all the time.

Among the areas that still seem to need improvement is the provision of ground privileges at airports "down the line," that is away from the individual airlines' home bases. At some airports which have hitherto been largely tourist-dominated but which are now rapidly assuming significant business travel status (especially with charter airlines offering "seat-only" tickets for businessmen), the provision of ground amenities is beginning to loom large.

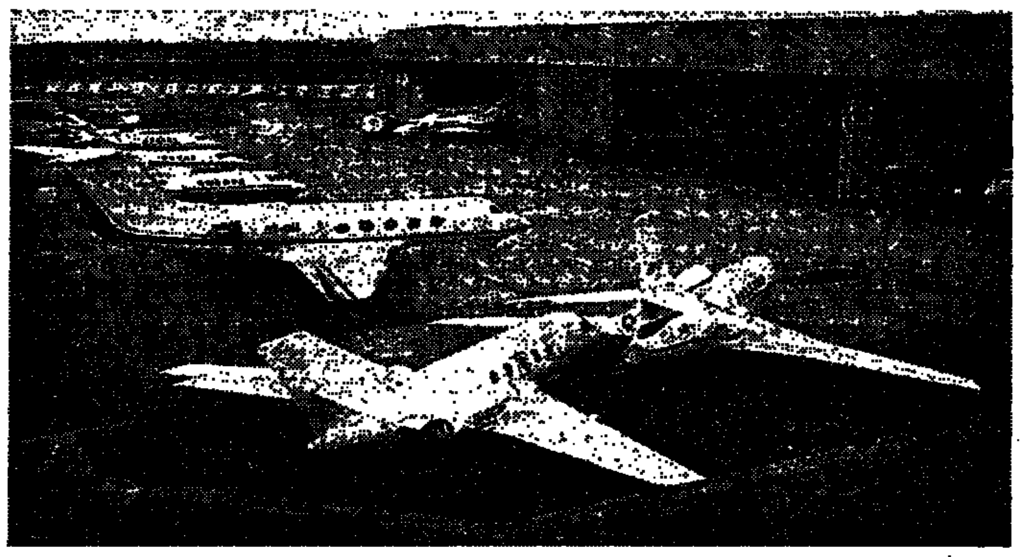
For example, at many Mediterranean airports – and Malaga is a case in point – the provision of ground facilities for businessmen is lamentable, and does not compare with the facilities accorded, at say, Heathrow or Gatwick, Amsterdam, Frankfurt or Paris.

But a more far-reaching problem appears to be arising. As air travel inexorably expands, and with it the overall volume of business travel, the question now is whether all airlines need to re-evaluate their fundamental concepts of handling the business traveller, going well beyond the customary improvements in quality of seating and other in-flight comforts such as better food, wine and cabin service, vital though all of those may be.

Comments culled from many business travellers over recent years indicate that many airlines still essentially misunderstand what those travellers really want in the air. The growing volume of ground-based peripheral benefits, and even that highly significant airborne desire of much greater seating comfort, collectively pale in comparison with the fundamental desire for peace and quiet during flights.

For most business travellers, the hours spent in flying are an oasis of enforced seclusion in an otherwise turbulent business life, to be appreciated as an opportunity to catch up with rest, relaxation, technical reading or other paper work.

For this reason alone, many regular business travellers seem to be lukewarm about in-flight telephones (although some of course both want or will welcome them) or even in-flight entertainment. Still less do they want families with restless or noisy children included in the business class cabin, no matter how much they may love such creatures in their private, non-flying lives.



The Executive Jet Centre operated by Field Aviation at Heathrow Airport, London, showing a range of executive jets of the types frequently using the base

This gives the airlines a special problem, which is escalating, whether many realise it or not. That is: how to differentiate between the true business traveller flying in "business class" (whatever its marketing title may be), and purely leisure travellers who may be able to afford the higher fares for themselves and their families, but thus wreck the whole objective and ambience of a business class cabin.

For a businessmen, especially long haul, who has paid the higher fare, it is crucifying to have to spend his entire flight trapped next to a family which lacks the social discipline to maintain the peace and quiet that the business traveller requires. Or, to have to stop working when those round him want to shut the blinds and watch a film; or, to have to suffer the show-off workaholic who wants to conduct myriad telephone conversations from his seat at $9.50 a minute in order to prove either how important he is (or how inefficient, depending upon how one looks at the matter).

The result is, and will continue to be only too often, a spoiled flight, a disgruntled business traveller, and a client lost to that particular airline.

Many business travellers, even in first class, report increasingly that such situations either are occurring, or with in-flight phones are likely to occur, and that there is now no guarantee that by paying the increased fare, one can buy one's way out of squalling babies or other forms of social disquiet on aircraft.

All airlines must find some way of redressing these problems, which threaten to become increasingly prevalent.

Some solutions are evident. Instead of permitting in-flight telephone conversations from portable handsets usable in one's seat, a separate cubicle should be provided for their use on the aircraft. The most intelligent and civilised way of handling in-flight entertainment is to provide built-in small TV screens in the seat-back, designed for clear viewing even in daylight if one's next door neighbour wants the blind up to look out of the window, and with far more efficient earphones than are available on most aircraft today.

The obtrusive and socially ill-disciplined family is more difficult to handle. One way might possibly be to resort to a special "family class" aboard aircraft, in which families as a whole are concentrated, leaving the first and business classes to those travellers who are most likely to either need, or appreciate, them or both.

Airlines must accept that these are among the most immediate problems of the growing volume of business air travel, and not just the complaints of a few such passengers.

Another problem, which is also increasing, especially on short-haul flights in Western Europe, is the habit of abandoning the advertised concepts of business class travel when traffic builds up to unexpected levels.

Many businessmen, if they can, now tend to avoid the "Monday morning, Friday evening" syndrome, because they know only too well that the normal business class requirements of better quality seating and service are abandoned by many airlines in favour of packing the higher-fare travellers in. The vacant middle seat on either side of the aisle gives way to the need to make money, with every possible passenger stuffed in, resulting in conditions that are little better than those in the much cheaper economy class at the rear of the aircraft. Even the much vaunted meal has to be eaten in a cramped, and almost impossible posture.

What is actually happening with business air travel is that, as in so many other walks of life, price is no longer the criterion of that exclusiveness that the original concept of either first-class or business class was intended to provide. It is not a mere matter of revamping existing levels of comfort for business travellers. Because of changing social trends, the entire concept needs to be reviewed and readjusted accordingly. The airline, especially long-haul, that is the first to do this is likely to be the one that wins a massive increase in world-wide business.

How the airlines are adapting their services to meet the requirements of the executive

More space, larger plates, free tickets

BRITISH AIRWAYS' relaunch at the beginning of this month of its First Class international service was a clear tribute to the success of the Club World business class which it introduced a year ago.

So popular has the Club World service been over the past year – seat bookings have been up by more than a fifth – that it found that some business travellers were forsaking the traditional comforts of first class for the improved business class service. At roughly half the price of a first class ticket, it was worth trading down to Club World.

Now, however, BA has decided to upgrade its first class offering in a variety of ways. Although the seats have not been increased in size (they are 20 inches wide and have a 62 inch pitch) the tables have been redesigned to swivel away from the passenger even when laid for a meal.

The philosophy behind the relaunch was to give the senior business executive greater control of his environment.

"Today's first class passenger expects to be in control, to be given choice, and above all to be given the very best standard of service," says Sir Colin Marshall, BA's chief executive.

Thus the food has not only been upgraded in style (larger plates, for example) but passengers can also choose when they want to eat. Executives will no longer have to eat in first class at times not suited to their internal body-clocks.

On some routes BA has also introduced an experimental video system built into the arm of the seat which enables passengers to choose their own video films to watch at their own time.

The main benefit of the Club World class which came into service last year was significantly increased leg-room and seat recline, as well as a fixed cabin space clearly to divide higher fare-paying executives from the economy class.

Where BA has been less successful, however, is on its short-haul Club Europe service which many frequent business travellers find does not offer the same degree of comfort or service as Club World. This was one of the main criticisms made at a seminar of 150 of BA's most frequent business travellers earlier this month, when the customers had a chance to confront senior BA management with their views on the business class services.

Virgin won the long-haul business vote; it has enthusiastic staff

BA's success with Club World, however, is challenged on the profitable North Atlantic route by Mr Richard Branson's Virgin Atlantic airline.

Although Virgin flies less frequently and far fewer routes than BA, it has still gained a high reputation among business travellers for its Upper Class business service. Readers of Business Traveller magazine, for example, have voted it their favourite long-haul business class service.

Part of this success is due to Virgin's use of first class seats in its business class (it does not have a first class as such) as well as the undoubted enthusiasm of staff which is a hallmark of Mr Branson's empire.

Even so, Virgin is still keen to woo more higher paying business class travellers. For example, it gives Upper Class travellers a free return economy class ticket to be used within a year. Recently, the airline has also offered a money-back guarantee to first-time Upper Class travellers who do not feel the service lives up to expectations.

The success of BA and Virgin has also prompted other international carriers to upgrade their business classes. TWA, for example, is relaunching its Ambassador Business Class next month with better food, more in-flight attendants and other improvements.

Wardair, which used to be solely a charter airline, has also introduced a business class service and its extra incentives include a chauffeured limousine service within 40 miles of Gatwick.

Lufthansa is currently offering its business class passengers the chance to upgrade to its first class Senator service for an additional £25.

For many frequent business travellers, however, it is the Asian airlines such as Cathay Pacific or Singapore Airlines which offer unrivalled business class services. Cathay Pacific, for example, was the first airline in Asia to introduce a dedicated business class section back in 1981. Recently, it has relaunched its popular Marco Polo business class, adding some 12 per cent more space per business passenger.

David Churchill

Leisure Industries Correspondent

Lynton McLain investigates an area of growing executive demand

The air taxis are starting to pick up more fares

COMPANIES and individual business travellers have greater opportunities than ever before to hire an aircraft for specific journeys.

The possibility of hiring an aircraft has become especially attractive where business travellers find that airline timetables are inconvenient, either because the departure times are not suitable for a particular business requirement or because the demands of the job require an aircraft to take off and land at airfields and airports serving towns that are outside the normal operations of scheduled airlines.

The routine flight requirements of business travellers can still, of course, be served by regular scheduled airlines.

In North America, the hiring of business aircraft for the personal use of senior company executives is common practice, motivated by the perceived need for privacy, personal service and status, as well as the practical advantages of having access to an aircraft for travel often over great continental distances, while not having the financial problems of ownership of an executive aircraft.

In Western Europe the hire of executive aircraft is becoming more common and specialist companies have developed to serve the needs of the business traveller wanting to operate outside the constraints of the scheduled airline industry.

The range of aircraft is impressive, from jets that are almost flying boardrooms able to fly long distances in great comfort, to small cabin aircraft for short distances.

Choosing an aircraft and the type of facilities required could be a source of concern for business travellers and senior executives whose main business is far removed from the aircraft charter and hire market.

Fortunately, the demand for aircraft hire has grown so rapidly, in the UK at least, that specialised companies have been formed to cater for these needs. One such company is Air London, a specialised air charter company, which acts as an air charter broker. This company has a computer-based dealer room where the staff of air charter brokers are able to arrange the hire of any type of aircraft anywhere in the world.

The CAA report "took a very narrow look at the role of business aviation. It is a management tool, not a luxury"

The company uses a technique known as systematic aircraft location. This has been introduced as part of Air London's current £1m expansion programme, which the company claims could make it the largest air charter broker of its type in Europe.

Air London has in its computer files every aircraft in the current world fleet of all airlines and all aircraft operators, including the Soviet Aeroflot airline. This amounts to more than 34,000 aircraft. The company is able to quote prices for aircraft hire which include all insurance food a fully stocked bar and a stewardess service when this is appropriate.

Companies seeking information on aircraft availability, prices and other details, such as seat lay-outs or cabin dimensions, are available instantly from one of the 12 full-time air charter brokers.

The aircraft can go to and from anywhere. Examples given by Air London are for a Learjet flying between Gatwick Airport, London and Boston's Logan International Airport. This would involve two stops and would cost an all-in price of £17,800. Hiring a Falcan 900 trijet, complete with bedroom, dining room, sitting room, and video monitors in each cabin, would cost £58,000.

The company offers advice and help on the choice of aircraft most suitable for the purpose and would suggest, for example, combining a Concorde flight for a transatlantic mission, with an executive jet, if that was the most efficient way to travel.

Any starting point and any destination can also be catered for, including, for example, a flight for four passengers from Lincoln, East Anglia, using one of the local military airfields, to Lyons, France. Using a turbo-propeller Beechcraft Kingair, such a day return journey would cost £3,000 in total for four passengers, or £3,795 for a Cessna Citation business jet or £6,900 for a British Aerospace 125 executive jet.

This is big business for companies such as Air London, which handles about £8.5m worth of aircraft hire and charter business each year. The company handles about 40 charters every week and has put on as many as 120 flights in one day.

The business aircraft market has some problems, however, in particular, the question of capacity constraints at London's main airports.

Ready to take off — a 285 mph 13-passenger King Air 200 taxi (left) from Northern Executive Aviation's fleet at Manchester Airport, while the 500 mph eight-passenger Learjet 35A, with a 2,000-mile range, flies up to 45,000 ft

The capacity of the main London airports to handle aircraft, of whatever size, was one of the central issues in the recent report of the Civil Aviation Authority on the distribution of air traffic in the London area.

The Air Transport Operators Association, which represents air taxi and air charter operators in the UK, says congestion is the big problem.

The Civil Aviation Authority, (CAA) in its recent report on traffic distribution, recommended that the present restrictions on business aviation and general aviation aircraft at Heathrow and Gatwick airports should continue and similar restrictions should be applied to business and general aviation's use of the airways. However, business aviation should be given priority over private flying, the authority recommended.

The Air Transport Operators Association, which includes most major British air taxi companies and a number of scheduled service operators, says its members have "a big battle to keep access to airports faced with increasing congestion."

The association represents a total fleet of approximately 300 multi-engine jet, turbo-prop and piston aircraft for business use, as well as helicopters flown by 50 air taxi and related companies. These craft carry about half a million passengers a year.

Air Commodore Mike Rayson, the chief executive of the association, argues that the CAA, in its report on air traffic distribution problems, CAP 548, took a "very narrow look at the role of business aviation in civil aviation as a whole."

The most up-to-date statistics the CAA used on business aviation for its report were figures for 1982, a period of low growth for business aviation, he says.

"There really is a lack of appreciation of what business aviation is for. It is a management tool, not a luxury. Business aircraft provide additional privacy and freedom from airline timetables as well as properly enhanced security for business executives.

The company has in its computer files every aircraft in the world fleet of all airlines, including the Soviet Aeroflot

"Our view is that the contribution of this sector of aviation to industry and commerce helps the health of the economy, yet there is apparently no appreciation of these points by the CAA."

The association is concerned about traffic distribution rules. Business aircraft are not expressly banned from Heathrow and Gatwick airports, but because they cannot get landing slots they are virtually kept away by airport congestion.

The availability of smaller airfields around the periphery of London does not solve the problem of congestion at the larger airports, he says. "Business aircraft users need full customs facilities for international flights, they need the best landing aids, they need good access to airports. These facilities are often not available at the smaller airfields."

The Air Transport Operators Association intends to call for the CAA to provide an "equitable share of the access to airports for business aircraft users to that which is already available for airlines," Air Commodore Rayson says.

Aviation writer and pilot **Andrew Healey** puts the case for using ...

The helicopter: it's time-saving and cost-effective

THE NUMBER of helicopters using the skies is growing year by year. There are now over 700 registered in the UK, of which only about a quarter are involved in the North Sea oil industry. The rest are scattered all over the country, although the highest concentration is based in the south of England, especially around London. Most of them are used for business.

Although the helicopter is increasing in popularity, it is still dismissed as a "rich man's toy" by many potential users. Such criticism is unjustified, its supporters argue, because a helicopter can improve your business at least as much as it can boost your social life, and therefore it deserves to be taken seriously as a business tool.

Its clear advantage lies in dramatically reducing travelling time, by providing point-to-point communications at speeds approaching 200 mph. The UK is particularly well suited to helicopters because of its relatively small but crowded land mass, and regulations covering their movement from private sites are at present quite relaxed.

A helicopter can land or take off from a lawn or company car park as long as the area is safe and the landowner's permission is sought. It can fly over traffic jams and urban bottle-necks, at double the motorway speed limit, direct to its destination at another landing site. It can also land at airports without having to wait for a runway. With a helicopter, users reckon, businessmen or women can fit a week of country-wide meetings into two days.

It can fly over traffic jams and bottle-necks at double the motorway speed limit

There used to be just two choices faced by people looking for a helicopter: whether to use a single or twin engined machine. Whatever type one chose, the pilot usually came along with the deal. Now there is a third, the self-drive helicopter. As surface transport in major conurbations becomes more and more congested, an increasing number of people are taking the plunge and learning to fly themselves.

Top of the self-drive charts at present is the Robinson R22, a lightweight, two-seater piston engined machine which has become the second most popular helicopter in the country (next to the Bell Jetranger) since its introduction in 1986.

The Robinson has brought rotary winged flying to a new breed of business commuter, and schools are springing up all over the country to meet the demand for pilot training. A new Robinson costs £80,000 and used piston machines start at around £30,000.

However, charter is still the most popular way of using helicopters to their full business potential. You can order a helicopter, complete with pilot, in the same way as you book a mini-cab; all you need to know is how many people, when and where. The "where" bit is the part that concerns many first-timers – how much space does a helicopter need anyway?

About two tennis courts will do, say the industry's trade association, the British Helicopter Advisory Board. If you have a suitable area available, with clear approaches and without obstructions such as lamp standards or power lines, you can establish a "temporary use" helipad with very little fuss. If you intend to use it more regularly a white "H" and a windsock will help, and consulting any neighbours is only considerate. Apart from telling the police – you don't need their permission – there isn't much else involved.


Britain's most popular self-drive helicopter, the Robinson R22 (left) and the Aerospatiale Dauphin, favoured by Trafalgar House

The Agusta 109 helicopter, which can fly up to six passengers in comfort

Whether to use a single or twin engined machine often comes down to price: twins generally cost at least double the price of singles. For the money you get extra speed, carrying capacity and flexibility (twins may fly above bad weather as long as the pilot is qualified) and extra safety. The majority of dedicated corporate helicopters these days are twins, and many charter operators have both available on their fleets.

London's only heliport at present is at Battersea, to the south-west of town. There are moves to apply for planning permission to build a second heliport to serve the City of London itself, which will eliminate a problem currently faced by helicopter users in the capital. They can fly from the M25 into Battersea in 10 minutes, but must then join the undignified rush into the city with everybody else, which rather takes the edge off their advantage. Paris, Tokyo and New York have city centre heliports: why not London? users ask.

Meanwhile, the number of helicopters using Battersea continues to increase: 1988 was its busiest year ever. The heliport's agreement with the local authority limits the annual number of take-offs and landings, and although they negotiate more each year, users face regular periods of rationing. But there are plans to expand and build, and the owner, Westland, professes a commitment to the heliport's future.

Many of the business users at Battersea are corporate helicopter owners. An increasing number of companies are acquiring helicopters to enable them to get senior management and customers around the country – and abroad – with minimum fuss and maximum efficiency.

Some of them, JCB for example, also quite unashamedly use them as sales tools and flying billboards. JCB runs three helicopters and two full-time pilots, in addition to a fixed-wing fleet. One of its twin-engined Agusta 109s can fly up to six passengers from its Staffordshire base to Battersea in about an hour.

Trafalgar House operates an Aerospatiale Dauphin, which regularly makes a flight using airways from Battersea to Scott Lithgow Shipyard in Glasgow, point-to-point, in 2½ hours.

As far Anglian Windows, its Squirrel helicopter flies to Battersea from Norwich in 50 minutes. Mr George Williams, the chairman, counts on the helicopter to help him keep in touch with regional bases, and reckons it has been instrumental in the group's success in recent years. "It has made a big difference," he says. "The helicopter saves us the most valuable commodity of all – time."

● *The British Helicopter Advisory Board (BHAB) can advise on pilot training, choosing a helicopter, siting a landing pad and rotary winged matters in general. Telephone: Chobham (09905)6100.*

Michael Donne, Aerospace Correspondent, enthuses over the advantages of corporate aircraft

Take top-level decisions in a flying boardroom

THE CONCERNS currently being expressed about the difficulties facing business aircraft, and indeed general aviation as a whole, as a result of increasing air traffic congestion, should not be allowed to deter companies anxious to exploit aviation as a new tool of management.

In the UK, many companies already do so, and more are joining the list every year. They have already discovered, or they are beginning to discover, the benefits of owning a corporate aircraft, available whenever required to facilitate the conduct of the company's business. They have learnt that business aircraft are vital assets, as essential to their profitability as machine tools or office computers.

The benefits include not only a considerable saving on the overall annual outlays on scheduled air fares and associated costs such as hotel bills, but also, and probably more significantly, a much greater degree of flexibility in conducting business, and a major saving in the wear and tear on busy executives.

Corporate aircraft can go to many places where the scheduled airlines cannot, enabling complicated multi-stop day-trips that scheduled flights cannot possibly match. There are many airfields throughout the UK and Western Europe that are available to corporate aircraft, bringing executives closer to their ultimate destinations, and offering them far better travel times than any scheduled airline can provide.

If a helicopter is used, the degree of flexibility is considerably further enhanced, by virtue of the ability of rotary-winged aircraft to land almost anywhere – factory car parks, playing fields and even on the roofs of buildings.

It is worth considering also that a company aircraft provides a far greater degree of privacy and security than any scheduled airline can offer, giving top executives the opportunity to discuss business affairs in confidence and safety.

Indeed, some business aircraft are used as "flying boardrooms", and many top-level business decisions are taken en route in the company's own private aircraft.

What deters many companies which could make good use of an aircraft is undeniably the first procurement cost. At first sight, that – anything between, say, £50,000 and several millions – appears to be a massive outlay.

But a careful analysis of the travel patterns of the senior executives most likely to benefit from use of a company aircraft can often reveal the hidden truth – that the corporate aircraft can prove to be cheaper in the long run.

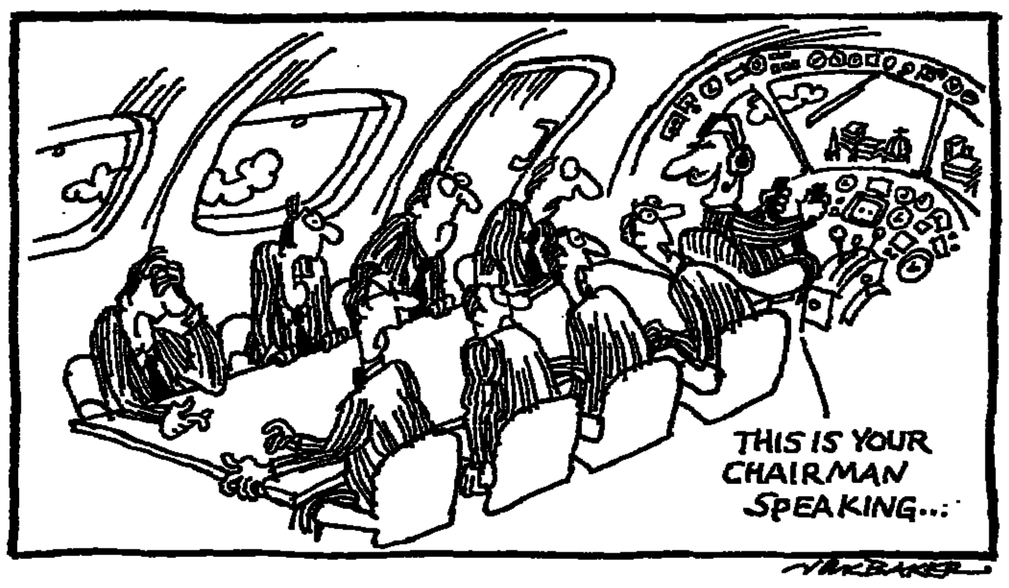
The General Aviation Manufacturers' and Traders' Association (Gamta), representing the makers of, and dealers in, a wide range of aircraft and helicopters suitable for corporate use, stresses the need for professional advice on which type of aircraft to buy, because of the wide range of types on the market. What may be the ideal aircraft for one company could be totally unsuitable for another.

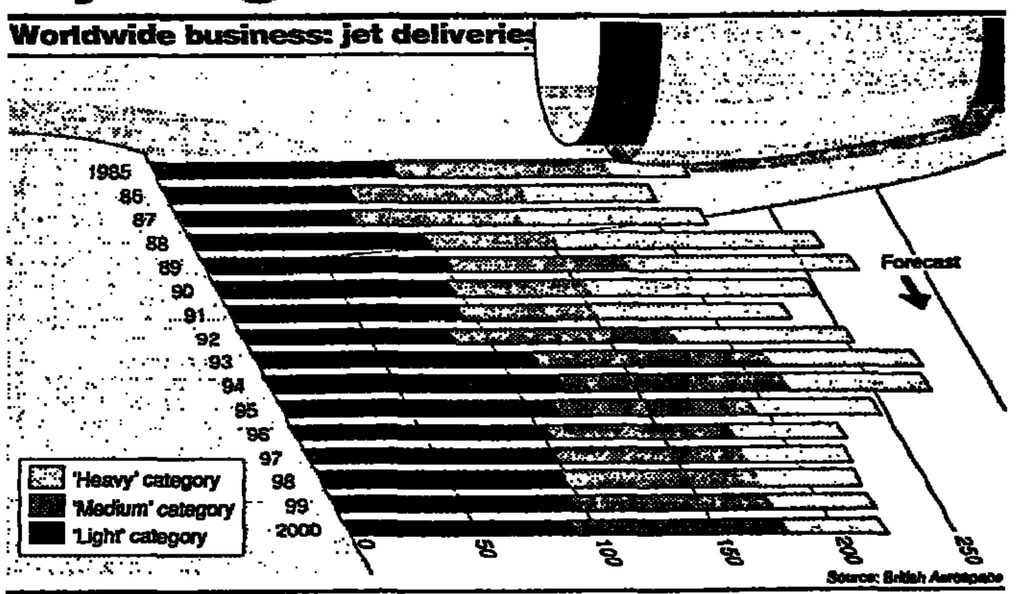
Broadly, the costs fall into two categories – fixed and variable (or direct) costs. The fixed costs accrue whether the aircraft is flown or not, and are usually calculated on an annual basis. They vary according to company requirements, but will include depreciation or finance costs, insurance, crew costs, hangar costs and so on. In general, these are fixed no matter how many hours are flown each year.

The opportunity to discuss confidential affairs in privacy

The variable or direct costs cover the actual running of the aircraft per hour, including fuel, provision for engine, propeller and component overhauls, maintenance, spares, landing fees and air traffic control charges.

Detailed costings in both areas can be prepared by either manufacturers or dealers, so as to enable companies to decide how they match their existing executives' travel costs. At the same time, however, there is always that infinitely variable benefit of greater flexibility of movement, and saving in wear and tear on senior executives, to take into account.





Source: British Aerospace

On balance, it is fair to say that where a company has been careful in its analyses of costs, and has moved into corporate aviation, it is generally satisfied. Indeed, most quickly discover that they cannot do without their own aircraft, either buying more than one or moving up to bigger types.

An option which might be worth exploring is leasing rather than buying, while it is also possible to arrange for the aircraft to be used by other companies when it is not likely to be needed by its primary owner, thereby helping to defray the costs.

But the best tip to any company interested in corporate aviation is to seek good advice from the start. Apart from Gamta itself, the Business Aircraft Users' Association and the Air Transport Operators' Association are all ready and willing to help would-be corporate aircraft users.

Many hundreds of British businessmen find that even flying themselves around is a relaxing change from the cares of everyday business life. It is not difficult to learn to fly, for there are more than 150 flying clubs and schools throughout the UK offering courses for the Private Pilot's Licence (PPL).

The minimum requirement laid down by the Civil Aviation Authority is a course of 40 hours' duration conducted to an approved syllabus by licensed flying instructors. How long the course takes depends on a number of factors, particularly how frequently the pupil is able to take lessons, and his ability to learn, as well as local weather conditions.

The cost of flying instruction varies from school to school, and in different parts of the country. But a typical course of some 40 hours could cost close to £3,000 for fixed-wing pilots, and perhaps upwards of £5,000 for helicopters.

The growing volume of demand for corporate aircraft world-wide is indicated by the fact that over recent years, average annual deliveries of business jet aircraft alone have been running at between 200 and 250 aircraft. This figure is forecast to rise a little, to be closer to the 250 aircraft a year mark in the period to the end of the century.

A world fleet of thousands of business jets by the year 2000

This indicates the likelihood of a world fleet of several thousand business jets by the year 2000, for very few such aircraft are withdrawn from service, and those put up for sale on the second-hand market by companies moving up to larger types are quickly snapped up. The market for turbo-propeller business aircraft is likely to be even bigger, for such aircraft are cheaper to buy.

In both jet and turbo-propeller airliners, and in helicopters, the variety of types available is exceptionally wide. The major jet manufacturers include Beech, Cessna, Gates Learjet and Gulfstream Aerospace in the US, and British Aerospace in the UK, Dassault in France and Canadair in Canada. Between them they have a range of types to suit all company requirements. Beech in particular is also a major manufacturer of turbo-propeller cabin business aircraft, especially its new twin-engined Starship.

British Aerospace has been building the Type 125 medium-cabin business jet since the early 1960s, and to date over 730 have been sold to 40 countries, in a variety of continuously updated models. Of these some 420 have gone to the North American market, still the world's dominant business jet arena. Overseas earnings of BAe's 125 jet sales, at today's prices, are worth over £1.5bn.

For the very largest corporations, or governments with substantial requirements for moving top executives or VIPs around, larger aircraft are also available, primarily adaptations of jet airliner models already in production. These include the Airbus A-320 twin-engined jet, the British Aerospace Type 146 four-engined regional jet, and the twin-engined Dutch Fokker 100, Boeing 737 and McDonnell Douglas MD-80 series.

For the longer-term future, the possibility of a supersonic business aircraft is looming. Although the market for such an aircraft might be small, it is nevertheless believed to exist, and during the 1990s may well develop to the point where one or more manufacturers may be encouraged to get together to build such an aircraft.

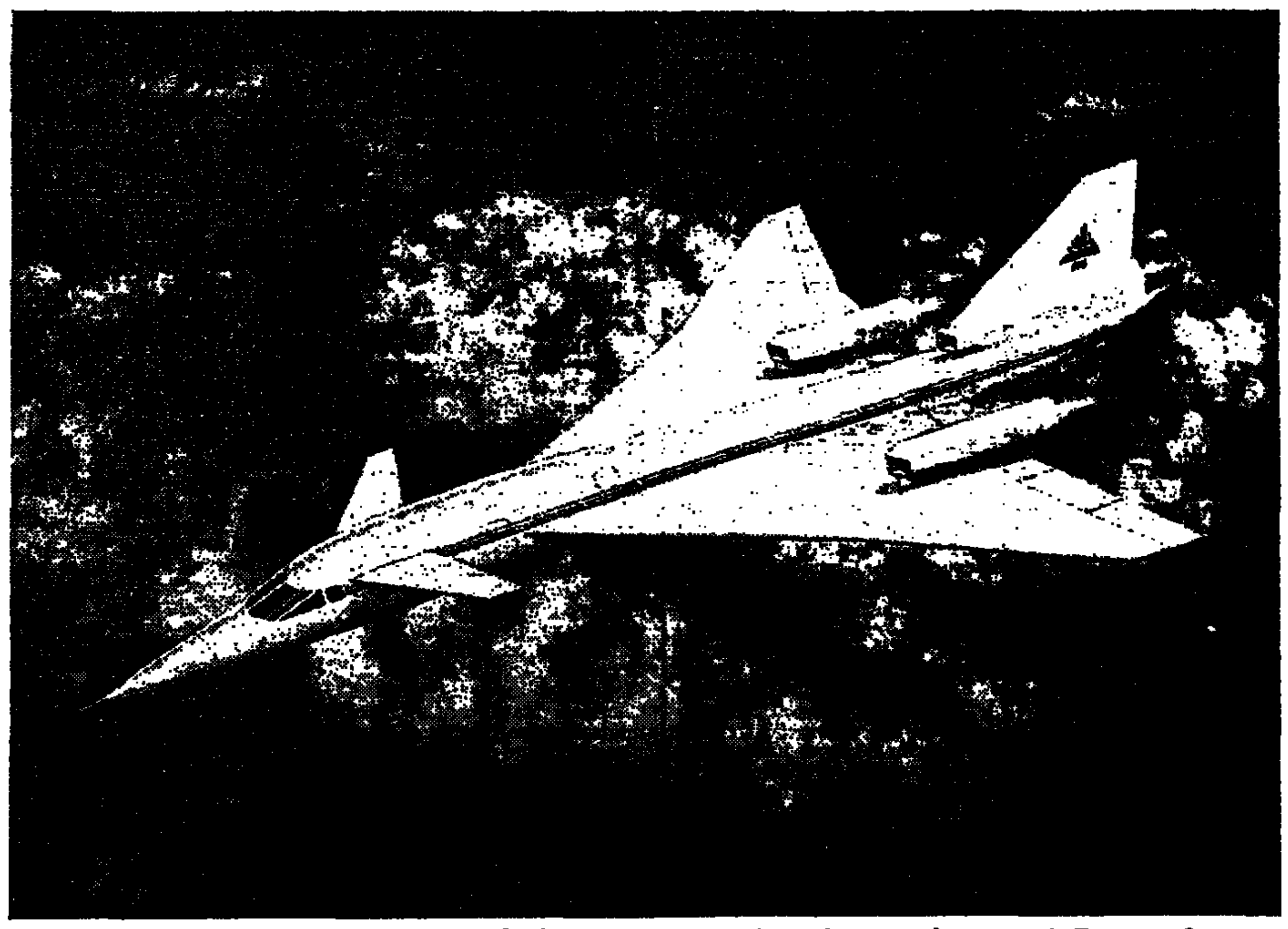
British Aerospace (whose predecessor, British Aircraft Corporation, was one of the partners in developing the Anglo-French Concorde supersonic airliner) maintains a small team working on supersonic transport studies for the future.

In addition to studying a possible second-generation 289-seat supersonic airliner, which might prove an eventual replacement for the Concorde itself, this team has also produced design studies for a small 12-seater supersonic business jet aircraft that would be capable of transatlantic ranges.

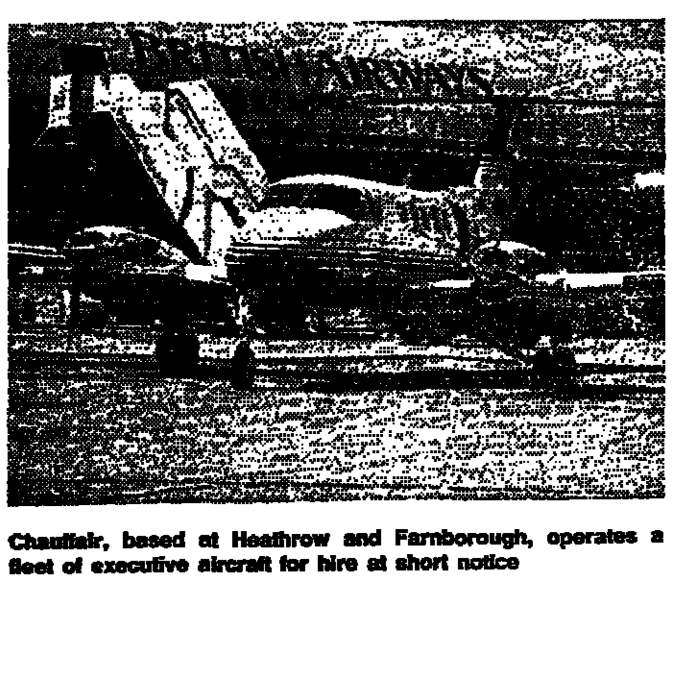
As yet, there is still a long way to go before such an aircraft could be built. Its development would probably have to be an international collaborative venture so as to share the costs. Also, as yet, the quiet, fuel-efficient engine for such an aircraft has yet to be developed.

But BAe believes such a venture could be feasible in the late 1990s and into the early years of the next century, which is as good an indication as any of its own long-term confidence in the future.

□ *Air Transport Operators' Association, Clembro House, Weydown Road, Haslemere, Surrey; Business Aircraft Users' Association, PO Box 29, Wallingford, Oxfordshire; General Aviation Manufacturers' and Traders' Association, 26 High Street, Brill, Aylesbury.*



(Left) An artist's impression of a future supersonic jet, as foreseen by British Aerospace. Such a development would be able to carry 12 passengers at a speed of Mach 1.85 over distances of up to 3,800 nautical miles



Chauffair, based at Heathrow and Farnborough, operates a fleet of executive aircraft for hire at short notice

Access to UK airports

Last on the runway

WITH WORLD airline traffic growing at up to 10 per cent a year, there is increasingly fierce competition for runway capacity at the big international airports, and particularly the two main facilities serving London, Heathrow and Gatwick. Business aircraft looks like being the losers in this battle.

The future battle lines were laid down in a Civil Aviation Authority discussion document (CAP 548), published last month, on airport capacity to 2005, a paragraph in which, of vital concern to the general aviation (non-airline) sector, said:

"It (the authority) has given the most careful consideration to representations made to it by business aviation representatives, and fully understands their concerns and the likely effect on their business of increasing constraint. Nevertheless, it cannot believe that the interests of the civil aviation industry as a whole would be served by giving equality of access to small, lightly-loaded aircraft."

Even though in the past 12 months there were 18,400 general aviation movements (take-offs and landings) at Heathrow, and 7,900 at Gatwick, business aircraft operators have felt the sneeze at these airports for several years now. A close reading of CAP 548 shows the CAA in favour of similar restrictions being applied to business aircraft wishing to join airways, the radar-controlled highways in the sky along which airliners fly and which, like the airports, are suffering congestion.

The organisations which represent business aircraft operators are gearing up to resist this trend, making the point that if small jets are unable to use Heathrow and Gatwick at peak times they, and the companies which own them, will take their custom to competitor airports on the near-Continent. The Business Aircraft Users' Association says that the 50 companies which it has as members generate 700,000 jobs, and earn £20bn a year.

Such pleas appear unlikely to impress either the CAA or the BAA companies which run Heathrow and Gatwick in the longer term. Big remains beautiful in the efficient utilisation of runway concrete, and unless there is a major shift in policy – which appears unlikely – executive aircraft will be pushed progressively further out to the ring of airports surrounding the capital.

The operators of these airports are well aware of the trend, and have been investing considerable sums to improve facilities in the hope of attracting a share of the overspill of traffic from Gatwick and Heathrow.

They also have an eye on the upsurge in business aircraft travel which is anticipated when the European trade frontiers go down at the end of 1992. There are a dozen or more from which to choose, the Government having set its face some years ago against any plan for one large business airport to serve the capital, such as exists at Le Bourget, to the north of Paris.

BAA offers three alternatives to Heathrow and Gatwick, at Stansted, with its under-utilised, international-standard runway, and where there is the promise that the present passenger terminal will be turned over to business users when the big new terminal opens in the early 1990s, at Biggin Hill, the old fighter base, and at Southend. The latter two airports are managed by Airports UK, a subsidiary of British Airports Services, which is in turn a subsidiary of the privatised British Airports Authority.

Unless there is a major shift in policy, executive aircraft will be pushed further out to the airports surrounding the capital

The development plan for Biggin Hill includes a new lounge for executive passengers, better signposting to the airport, and installation of an instrument landing system to enable it to be used in poor weather. Airports UK forecasts that there will be 3,000 executive jet movements there by 1992, compared with 1,000 in 1987.

To the north and north-west of the capital there is a considerable choice of places ready to accept business flights, including the busy charter airport at Luton, the British Aerospace airfield at Hatfield, Leavesden, and the RAF base at Northolt, although movements at the latter are severely restricted both in numbers, and in time of day.

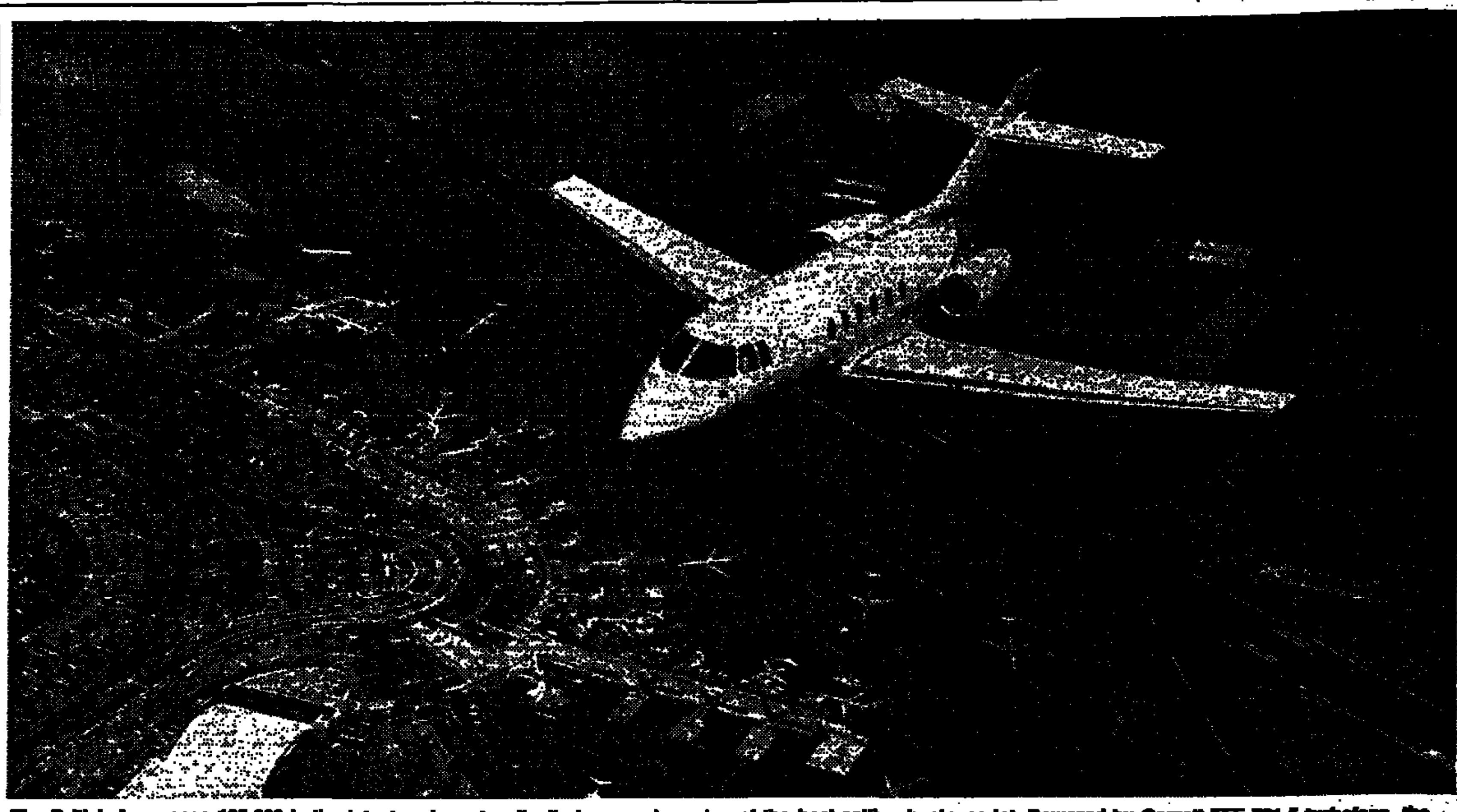
The majority of business people in the South-East who regularly use business aircraft live in the southern/south-western segment of the London zone, an area which includes among its business airports Blackbushe, *Fairoaks* and the Farnborough Business Aviation Centre, which opened this January. The centre is part of a 50-acre enclave within the Royal Aerospace Establishment, and will have as its neighbour a business park, the whole being developed at an overall cost of £120m over seven years by the Farnborough Aerospace Development Corporation.

Beyond this inner ring of airports around London, all within 40 miles of the centre, there are others whose operators hope to pick up business from the overflow. Lydd and Manston, in Kent, are cases in point, and they are both well-sited to capture businessmen commuting from the Continent through the Channel Tunnel, and who will want to fly on to various points in Britain.

Though the South-East is the busiest part of the business airport scene, executive aviation does not begin and end in London. Manchester and Birmingham airports are thriving centres, and business jets are familiar sights at such provincial airports as Plymouth and Cardiff, Bristol and East Midlands, Teesside and Newcastle, Liverpool and Leeds/Bradford, Humberside and Edinburgh, Glasgow and Aberdeen.

And as the business aviation "honeypot" of the south-east becomes more and more overcrowded, and as environmental pressures within that geographical segment become more intense, it is possible to see, by the year 2000, flying businessmen taking an executive helicopter from a field in the greater London area to one of the provincial airports mentioned above, where they will connect with their business jet bound for deregulated European airports such as Frankfurt, Copenhagen, Madrid or Rome, or to points even further afield in the US or the Middle East.

Arthur Reed



The British Aerospace 125-800 is the latest and most radically improved version of the best-selling business jet. Powered by Garrett TFE 731-5 turbofans, the BAe 125 can fly passengers at fast speeds up to 5,486 km in a high level of comfort

The faces in the crowd

Continued from Page 1

problem is an international one – there is hardly a commercially-developed country in the world where business aviation's access to airports and airspace is not in some way under threat, as a direct result of the increasing preference being given to commercial airline operations.

The European Commission, for example, has already recommended that public transport aircraft should take priority not only at airports, but also in controlled airspace, and there are fears that such restrictions on business aviation will become worse as increased liberalisation in the Common Market after 1992 intensifies the volume of commercial airline activities.

This concern is in no way lessened in the UK, where the problem is regarded as increasingly serious, by denials from the British Airports Authority (BAA), which owns Heathrow and Gatwick, the nation's two largest international airports, that it has any intention of banning business and general aviation flights from those airports, as some aircraft owners believe to be the long-term aim.

The BAA says that for many years business and general aviation operators have been required to obtain prior permission before using either airport, but argues that, even so, over the 12 months to end-February, 18,466 general aviation movements took place at Heathrow and 7,936 at Gatwick. "While our major airports are very busy at peak times", says Mr Mike King, managing director of BAA's Airports Division, "we have no intention of banning general aviation flights."

Nevertheless, the concern remains. Operators of business aircraft at Heathrow, for example, argue that at that airport, during the peak periods of the day, from 7.30 am to 9 pm, slots are virtually unavailable for business aviation. To make matters worse, airfields that can offer temporary and occasional relief do not open before 8 am and close before 9 pm. With the congestion in the London Terminal Manoeuvring Area (LTMA) such positioning flights are a great waste of time, and tend to aggravate an already difficult situation.

One major business aircraft operator at Heathrow, the Field Aviation Group, argues that, as a matter of urgency, the Government should conduct a detailed review of facilities for business aviation in the London area, in parallel with, or as part of, the overall review by the Civil Aviation Authority of air traffic distribution in the South-East of England.

At the recent Montreal international business aviation meeting, the IBAC members registered their view that "business aviation missions are at least equal in importance to society and to national economies as those of any other category of aviation."

They added that business aircraft are "highly sophisticated, equipped with technology at least equal to that of aircraft operated by the airlines," and they argued that a greater understanding of this "would enable the authorities better to meet their requirements."

In the UK, the members of the Business Aircraft Users' Association (BAUA) include many of the biggest industrial companies in the country, with a combined turnover of some £20bn annually and which provide employment for over 1m people. Such companies, the BAUA believes, have as much right to use their own aircraft for their own benefit, and that of the economy as a whole, as any individual has to fly to Majorca on a package holiday.

The BAUA earlier this year expressed these views forcefully to Mr Paul Channon, Secretary for Transport, in the light of the Civil Aviation Authority's consultation document on the future distribution of air traffic in the London area. The CAA said it saw no reason to change its policy of giving priority to commercial airline activities, and also thought there was "a strong case for regulating access to airways by business aviation."

"A practice where BAUA members were allowed access to runway slots only when airline traffic had taken all it felt it needed would make proper planning by business companies difficult, if not impossible. If this same practice was extended to cover access to controlled airspace, the situation would become intolerable," the BAUA told Mr Channon.

The Transport Secretary is now considering both the CAA's report and the many other critical representations he has received about it from various aviation interests. His conclusions are likely to be published later this year, and all business aircraft owners are hoping that he will recognise that their element of aviation is a vital contributor to overall economic growth and prosperity.

What business aircraft owners of almost any nation believe to be necessary is a complete reappraisal of attitudes – among government and other authorities – towards business aviation, designed to allow it to find its proper role in economic life. And they want to ensure that they are given some say in the many aeronautical political, technical and economic matters which affect business aircraft users, as much as the commercial airlines.

Or, as IBAC summarises it: "Fair access to airports and airspace by all classes of users, without artificial constraints, and provision of adequate services in more efficient air traffic control, sufficient numbers of qualified air traffic controllers, increased approach facilities, reliever runways and customs and immigration facilities."

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 28 1989

INSIDE

Midland's march into Europe

Sir Kit McMahon (left), chairman of the Midland Bank, says that the group's recent expansion into Europe allows it to claim the strongest pan-European wholesale banking presence of any British bank. Its recent moves include the swallowing of branches belonging to the Hongkong Bank, its largest shareholder, and the purchase of a controlling interest in Euromobiliare, a leading Italian merchant bank. Page 26

Reuters plans round-the-clock transatlantic trading system

Reuters Holdings, the UK news and information group, and its Instinet subsidiary have teamed up with two US exchanges to launch an electronic network for round-the-clock trading of stocks and options. The network, which has still to be approved by members of the two exchanges and US authorities, plans to list options traded on the Chicago Board Option Exchange, stocks traded on the Cincinnati stock exchange and US and UK stocks dealt through Instinet. Page 24

Japanese warrants are king

In a Euromarket of dubious profitability, the issuer of Japanese equity warrant bonds reigns as king. The heavy volume of new equity warrant issues scheduled for London's four business days this week will bring into even sharper relief the contrast between the profitability of this sector and the rest of the Euromarkets. Page 22

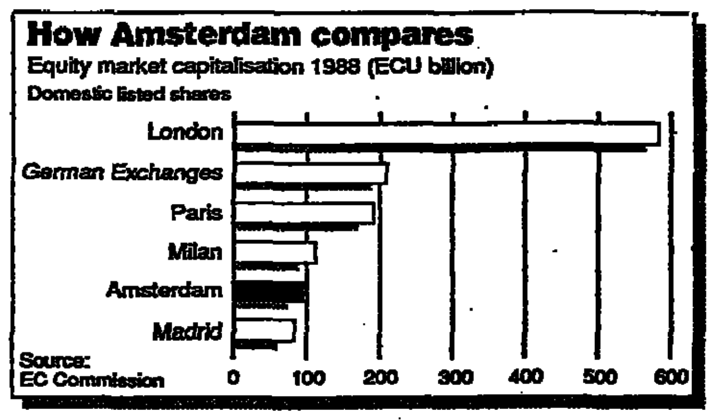
MCorp files for Chapter 11

MCorp, the last major bank in Texas to have remained as an independent entity, is filing for protection under Chapter 11 of the US bankruptcy code after learning that a group of bondholders had submitted an involuntary winding-up petition to a court in New York. The move puts the company's future in the hands of the bankruptcy courts instead of the monetary authorities. Page 24

Market Statistics

Companies in this section

Mr Wim Duisenberg: his group has produced a blueprint for change in Dutch finance



Dutch master plan

Laura Raun looks at how Amsterdam aims to regain some of the ground it has lost as a financial centre

ALARM BELLS are ringing in Amsterdam as the city observes its role as one of Europe's leading financial centres slipping away.

There is no small irony in the fact that Amsterdam - one of the greatest of Continental trading centres since its golden 17th century - is missing out on the internationalisation of both equity and bond markets as the European Community prepares for 1992's dismantling of trade barriers. More foreign companies are listed in Amsterdam than in any other EC centre - and foreign bonds have been traded since the 18th century.

But missing out it is - thanks to what critics say is a combination of antiquated trading regulations, conservative business attitudes and poor physical infrastructure.

Half of all business in Dutch Government bonds has been siphoned off by London - twice the level of two years ago. The Amsterdam Stock Exchange has been eclipsed in size by Milan in recent years, though it remains the fifth largest in Europe. Dutch share price/earnings ratios remain below those in London and New York. And foreign banks now have only 20 per cent of the banking market, compared to 25 per cent a few years ago.

Faced with statistics such as these, the financial establishment has been stirred into action: it has just published a plan drawn up in conjunction with management consultants McKinsey. The aim is to transform Amsterdam into the "financial gateway to continental Europe."

The group was chaired by Mr Wim Duisenberg, president of the Central Bank, and included Bourse executives, prominent bankers, captains of industry and high government officials. Critics argue that the plan does not go far enough in tackling some basic problems of the financial structure.

The aims include ensuring that Amsterdam remains the main centre for Dutch guilder paper and carving out market niches in other areas drawing on particular local strengths. Those identified include trade finance, venture capital, dealing in the European currency unit and data processing. A foundation has been established to carry out the plan by July 1990.

The strategy to achieve this is essentially two fold. First, Amsterdam has to be made a more attractive place for international financial institutions to set up shop. There is, for example, an acute shortage of executive housing and telecommunications are patchy.

Second, the regulations governing the various markets need to be brought more in line with other major financial centres, ensuring that Amsterdam presents a "level playing field" in comparison to its rivals. Improving liquidity and the transparency of markets are identified as the urgent needs.

The solutions put forward include scrapping stamp duty on securities trades; attracting more highly qualified personnel; widening Dutch share ownership and improving the Bourse reporting system. With a rare display of haste, one task force is supposed to propose by May 1 how the lost bond business can be recouped and another will ponder whether "direct dealing" - bypassing jobbers - should be promoted. The critics argue that while all this is welcome, some glaring market weaknesses have been ignored.

Take, for example, the plan to specialise in data processing. This is puzzling in view of the fact that Dutch banks lose Fl 100m ($48m) a year in payments clearing and have stonewalled against credit cards, automatic teller machines and point-of-sales terminals.

According to Arthur Andersen, the consultants which recently published a report on the European capital markets, what the Netherlands needs most is more creative, flexible management to stimulate innovative products and services. But talent is lacking because Dutch bankers frown on the kind of fat salaries and ego massaging which are characteristic of London and New York.

Critics also charge that the blueprint has papered over the structural weaknesses of the Bourse, and entirely omitted the wider question of regulation.

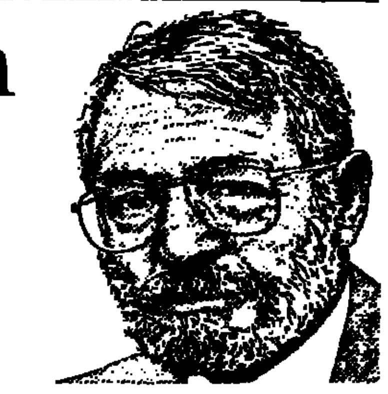
The Bourse is a self-regulated, private association with only vague legal obligations to anyone except its members, while the watchdog Dutch Securities Board has relatively limited powers. Mr Pieter van de Paverd, former chairman of the Netherlands Association of Securities Analysts, argues that while self-regulation is theoretically the best model, the spate of international share trading scandals in recent years - admittedly none of them touching the Dutch market - means that "a Government agency like America's Securities and Exchange Commission is the only way all interests can be represented."

Critics say that rather than rising to the competitive challenge implied by a level playing field, many industrialists are displaying a fortress mentality: Dutch businesses generally have erected some of the most powerful anti-takeover barriers in Europe. The Bourse has ordered them to start taking them down, in anticipation of 1992, but companies are instead reinforcing the barriers.

Wider share ownership would help balance the power of company managements and nourish the home capital market. But the Dutch government recently passed up a chance to spread equity more widely with the privatisation of DSM, the chemicals group, which was aimed mostly at institutional investors.

All this suggests that the Netherlands may need a more fundamental shake-up in attitudes to the capital markets if the "gateway to Europe" is to be anything other than a narrow and rather uninviting one.

Administration drifting into trouble



By Anthony Harris In Washington

IT IS HARD to believe that it is only two months since Mr Ronald Reagan was President. He has certainly not been overshadowed; Mr Bush, like a man in a fairy tale, is having a hard time casting any shadow at all, and this column is an attempt to explain why he has this problem, and what it portends.

Meanwhile, Mr Reagan has simply faded away, as film stars *do at the end of a show, leaving* us to wonder at the rickety shams which passed for a capital city. President Bush, to do him credit, does seem to have been well aware that things were not what they appeared.

He has moved very promptly to fill two of the more dangerous holes in the Reagan policies – the savings and loan crisis and the debt crisis. Mr Bush must have been itching to tackle these long before he took over the White House.

It is the longer-term problems of government debt and domestic competitiveness which remain a worry. The budget negotiations have at last begun in something like earnest. There are some real cuts, often in long-redundant programmes, on the agenda.

This is, however, by general consent the easy year; when 1991 comes along, it will be seen that the general purpose US debt strategy of growing out of trouble may be no more plausible for this economy than was the Baker Plan for the LDCs, or reckless "expansion" for the thrifts.

At least this is a policy of a kind; but there are whole important areas, especially in foreign affairs and defence, where everything is still under review.

It is as if Mr Bush had taken over from a secretive opponent rather than from his old boss.

These reviews take a frustratingly long time, but perhaps they will be worth the wait. The muddle over the Brady plan for debt, which has created feverish hope abroad, but a good deal of confusion and ill-temper here in Washington, is a sad sign of how things are likely to go if they are done in a hurry, before the full study is complete.

Policy needs guiding principles as well as organisation, though, and we are still waiting.

Mr Bush's distaste for what he calls "the vision thing" could cause something more dangerous than muddle: it leaves room for mischief.

Protectionism already seems to be one of the ideas that will seep in to fill any available vacuum, to judge from widespread talk of "economic security". There is also also a disturbing streak of anti-Japanese paranoia which break out when officials are under pressure.

All this is clearly arousing impatience and scepticism among the non-Americans in the Group of Seven. These countries have not yet broken the diplomatic silence which usually conceals *such strains; but Mr Nicholas* Brady, the Treasury Secretary, keeps quoting them in an effort to persuade Congress to move a little faster. A request to yield to foreign pressure is hardly the way to persuade professional politicians; the effort shows that Mr Brady is an amateur.

The fact is that most of the senior members of the Bush administration are amateurs in their new posts, as most politicians are. Even the redoubtable Mr James Baker is getting some intensive on-the-job training.

Mr Baker at least has some highly experienced diplomats to brief him; other Cabinet members are not so lucky. In the domestic department an incoming US Administration must appoint some 3,500 people to do the jobs which civil servants do in a parliamentary system. This is proving an agonisingly slow business.

This is partly because the Bush victory was, until six weeks or so before the vote, a genuine surprise. Mr Bush took over with his staff work behindhand; and Washington was at that time still full of people who had moved in hoping for Dukakis jobs. But an alarming number of those who have been approached have politely asked to have their names withdrawn: they would like to help, but can't afford it.

There is some neat poetic justice at work here: the Republicans have run against Washington, and denounced the Congress.

The result was a popular outcry against January's government pay awards, which would have raised salaries by 51 per cent after a long freeze.

The public was bamboozled into thinking that only a Congressional raise was proposed, and they frightened the Congressmen (who would have lost as much in fees and perquisites as they would have won in pay) to vote it down.

Those who live by half-truths. Mr Bush cannot keep the officials he needs in the style to which they are accustomed. This is a long-term crisis of American public life, as Mr Paul Volcker has been pointing out since he retired from the Fed, and started to make up for lost pay.

Many years ago I was told that only idiots or doctrinaire fanatics would work on such terms, and the terms are much worse now. The result is that government has no continuity, since everyone leaves, and not enough talent to work out everything from first principles at each change of Administration.

This permanent crisis is not too pressing at the moment, because although Mr Bush has inherited only vague policies, some of Mr Reagan's luck still holds. The economy finished 1988 strongly, and personal savings may be reviving.

But how long will this last? Mr Robert Ortner, who is just retiring after a long spell in charge of economics at the Department of Commerce – and thus of most US economic statistics – celebrated his farewell last weeks by pronouncing *the expansion "mature"*, and thus ready to drop from the tree. Wall Street, marking equities down quite a lot and bonds up just a little, is beginning to behave as if it too was thinking in this way.

All that is clear at the moment is that housing demand is weak, and consumer credit demand has dropped remarkably, despite record reported levels of consumer confidence, and brisk spending in the stores.

Investment spending is also expected to grow less quickly than last year, though still well ahead of GNP. Until these trends are confirmed over another two or three months, they cannot be relied on; we have had speed-up and slow-downs in the recent past which vanished on revision, or on later rigour. What is clear, though, is that a recession would cause a real dilemma for an Administration which has staked its strategy on continued growth, without having the power to do much to secure it.

Meanwhile, we are back to an old economic game in Washington: watch export demand, and put pressure on your partners if it flags. Did I hear somebody say "locomotive economy"? No, that was another President who was thought weak.

Economics Notebook

UK industry trails in R&D race

JUST AS Mr Neil Kinnock was outlining the Labour Party's ideas for more active state support of British industry last week, the Organisation for Economic Co-operation and Development produced evidence suggesting that in the key area of research and development Britain may have suffered in the past through too much state involvement rather than too little.

A new OECD study*, that explores how far micro-economic policy changes in recent years have helped overall economic performance in the industrialised world, shows that industry in Britain finances a smaller percentage of business sector R&D spending than industry in other leading industrial countries.

The OECD's report does not provide statistics on R&D spending after 1985. But its figures show that at 68 per cent, business sector R&D in Britain was the lowest as a share of total R&D spending among the "big five" countries comprising the US, Japan, West Germany, France and the UK. Of this 68 per cent, only 65.6 per cent was financed by industry.

In the case of Japan and West Germany the share of business financed R&D was much larger. Industry financed no less than 98 per cent of the two thirds share of Japanese research and development that was devoted to the business sector. In West Germany business sector R&D accounted for 72 per cent of total R&D and 82 per cent of it was financed by industry.

The US and France showed a pattern of research and development financing similar to that in Britain. Business sector R&D was a comparatively high 71.7 per cent of total R&D in the US, with 66.4 per cent of that spending financed by industry.

In France, business sector R&D was 58.7 per cent of the total, with industry financing just under 70 per cent of it.

R&D as a percentage of gross domestic product was broadly similar among the big five countries, ranging from 2.31 per cent in France to 2.83 per cent in the US.

But the countries fall into two clear groups.

Britain, the US and France have large defence industries and also run substantial trade deficits. Japan and West Germany, the industrial world's two major surplus countries, have been able to channel their R&D towards what the market wants.

Pension Policy

It has become clear since the Budget that Mr Lawson's pension changes constitute a significant micro-economic reform that are designed to both encourage mobility among employees and reduce the Government's financial exposure to a rapidly ageing population in about 25 years time.

The Chancellor has substantially deregulated pensions, making it possible for employers to provide whatever pension they see fit for their employees and giving more encouragement to personal pensions.

However, it is his decision to limit tax relief on contributions to pensions based on a final salary of £60,000 ($102,000) or less that will have far reaching consequences.

The salary cap may appear of little importance at present because it is so much higher than average earnings. But Mr Lawson has decided to index it to retail price inflation rather than higher wage inflation so that it will gradually affect an increasing number of people in Britain.

The result, according to Professor Mervyn King of the London School of Economics, is that the pension changes were "in many ways the cleverest part of the Budget."

They quietly support the Government's general philosophy of encouraging ownership of financial and real assets and promoting individual self reliance in financial matters.

As rising wages and increased productivity bring more people towards the indexed £60,000 cap, the changes are likely to boost individual investment in equities at the expense of saving through pension funds. Here the pension reforms will dovetail with the Government's decision to greatly increase the size of personal equity plans, which free individual investments in shares and unit and investment trusts from capital gains tax and income tax on dividends.

The pension decision also complements the Government's 1985 decision to reduce public pension provision under the State Earnings Related Pension Scheme.

The cap on tax relief should begin to affect a growing number of people from 2010 onwards, just as the percentage of over 65 year olds is set to increase significantly from an estimated 14.6% of the British population to 16.3 per cent in 2020; 19.2 per cent in 2030 and 20.4 per cent in 2040.

In the short term, the £60,000 cap will hit some highly paid executives who might have hoped to move to lucrative pre-retirement jobs. Indeed one victim would be Mr Lawson himself, if as is often supposed, he were to leave Number 11 Downing Street for a plum City job after his time as Chancellor.

**Economies in Transition - structural adjustment in OECD countries; OECD Publications, 2 rue André Pascal, 75775 Paris Cedex 16, FFr160 ($25.40).*

Peter Norman

THIS WEEK

FINANCE MINISTERS and *central bank governors from* around the world meet in Washington from Friday for the Spring meetings of the International Monetary Fund and the World Bank.

The main theme of discussions is likely to be US ideas for reducing the debt burden of third world countries. Other topics will include increases in IMF quotas, or subscriptions, paid by member countries.

Financial markets will also be watching for signals about developments in international interest-rate and-exchange rate policy. Meetings kick-of on Friday with discussions among officials from the group of 24 developing nations.

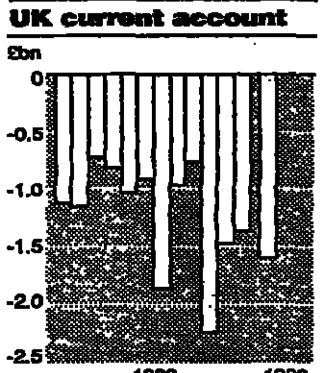
In the UK, trade figures for February are released tomorrow. Analysts will be looking for signs that the deficit, which grew rapidly throughout 1988 is not getting any worse, and possibly improving.

The consensus of City analysts' forecasts, compiled by MMS International, the financial research company, is for a current account deficit of £1.4bn ($2.4bn). That compares with a £1.7bn deficit reported in January – the third worst on record.

Recent month's figures have moved erratically and financial markets are likely to be wary of a big jump which could undermine positive sterling sentiment and fuel speculation of another rise in interest rates.

Other UK statistics include personal income and expenditure data for the last three months of 1988. As well as showing the buoyancy of the consumer sector, these will show the proportion of incomes saved by the personal sector. A ratio of 1.1 per cent is expected for the fourth quarter.

In the US the Federal Open Market Committee (FOMC), the US Federal Reserve's key policy-making committee, meets today. Analysts will be looking for signs of a tightening of monetary policy. A further insight into FOMC thinking comes on Friday when minutes of the February meeting are published.



Leading indicators for the US economy are published tomorrow. These look forward three months and include factory output, money supply, consumer credit and prices. The consensus is for a 0.1 per cent rise.

In West Germany figures for consumer prices in March are due sometime this week, giving a guide to inflation trends. Other events and statistics (with MMS International consensus in brackets) include:

Today: US two year, four year Treasury note auction.

Tomorrow: Opec ministerial monitoring committee meeting in Vienna, possibly followed by meeting with non-Opec countries. UK new vehicle registrations in February, industrial and commercial companies in fourth quarter. US new home sales in February (4 per cent fall), four-year Treasury note auction. France, final consumer price index for February.

Thursday: US manufacturing orders in February. UK energy trends in January.

Friday: Bank of England publishes final money supply statistics for February. Bill turnover statistics and UK banks' assets and liabilities, London sterling certificates of deposit.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

American Airlines whets bank appetite for aircraft loans

THE ANNOUNCEMENT last week that American Airlines will buy new jet aircraft worth about $4bn has bankers rubbing their hands in glee, just thinking about the possible loan mandates that might emerge.

Even if the American Airlines order provides no new business to the Euromarkets, the intense demand for new aircraft suggests that the value of existing aircraft is likely to remain firm.

This is prompting those companies which are now leasing aircraft to consider outright purchases of aircraft, meaning new business for banks.

Moreover, the strength of the asset is persuading banks to lend to carriers whose credit standing or country risk on their own would otherwise bar them from the syndicated loan market.

Indeed, Chase Manhattan last week was awarded a mandate to raise $25m for Lineas Aereas Canarias, an independent carrier based in the Canary Islands, that has decided to do just that.

The company, which has been in existance for little over year, has been leasing a MD-80 aircraft which it has now decided to buy. The 10-year loan carries a margin of 1 per cent to 1¼ per cent and will be syndicated.

The syndication will be limited to those banks with a Spanish banking subsidiary which can hold the loan on its books. Non-Spanish borrowers will invite withholding tax of 20 per cent on their interest income.

Also said to be on the verge of awarding a mandate is JAT, Yugoslavia's national carrier, which has been purchasing Western aircraft for several years.

Ironically, the explosion in aircraft financing appears to have done virtually nothing to margins.

For instance, Portugal's TAP airline has just completed a 12-year loan syndication with margins of ⅜ over London interbank offered rates (Libor) and up-front fees of 15 to 20 basis points.

Just a few months before, TAP had paid 30 basis points over Libor and more generous fees.

Certainly, the number of bankers looking to establish a niche in the market has been a significant factor in keeping margins down.

In addition to traditional bank lenders, a number of specialty aircraft lenders have come to the fore.

Recently, GPA Group, the world's largest aircraft leasing company, has established a financial services division to provide funding for its own customers rather than have them seek borrowings in the outside market.

GPA still intends to use the Euromarkets for its own corporate funding, but it has found more advantageous ways of raising money for its individual aircraft orders on its own.

Mr Colm Barrington, the company's chief commercial officer, said that while the unit concentrates on tax-based leasing arrangements for clients, it plans to one day expand to offer aircraft financing to non-clients.

"Our ideal is that eventually we could be an aviation investment banker," he said.

Besides aircraft financing, the single deal that emerged in the Euroloans market during the pre-Easter lull is a four-year £400m revolving credit facility for First National Bank, a UK-based consumer bank.

While the borrower is a licensed deposit taker, virtually all its funding is via its correspondent banks or the wholesale markets.

Bank of America International, Bank of Tokyo International, Credit Lyonnais UK and Midland Montagu are joint arrangers.

The facility is intended to provide advances, certificates of deposit and bankers acceptances and is extendible at the lenders' option.

There is a margin of 27½ basis points for the first three years and 30 basis points thereafter. Commitment fees range from zero to 10 basis points depending on utilisation. Participation fees will range from four to 10 basis points.

Norma Cohen

INTERNATIONAL BONDS

When Japanese equity warrant paper issuer is king

IN A EUROMARKET of dubious profitability, the issuer of Japanese equity warrant bonds is king. That is not a new development. As the weeks go by, however, and the general outlook for fixed-income instruments becomes ever more depressed, the contrast between the profitability of the equity warrant sector and the rest of the Euromarkets becomes starker.

The heavy volume of new equity warrant issues scheduled for London's four business days this week will bring this into even sharper relief. While other syndicate managers are struggling to match patchy investor demand with borrowers' preference to exploit advantageous short-term funding rates, the big Japanese houses will bring just short of $4bn of deals to market. They are confident of success.

Nomura alone is due to launch four issues this week, including $1bn for Japan Airlines, $500m for Showa Denko, and $300m for Kamigami. Nikko's five scheduled deals include $400m for Jujo Paper, $300m for Onoda and $300m for Toyo Menka, while a $700m issue will be launched for All Nippon Airways in April.

When the Tokyo equity market fell by more than 1 per cent in a single day last week, there were renewed suggestions that the stock market bubble might be about to burst, taking equity warrants down with it.

Take the market's stellar performance, add the creeping corruption of the Recruit scandal and some analysts argue you have a formula for sudden and possibly dramatic decline.

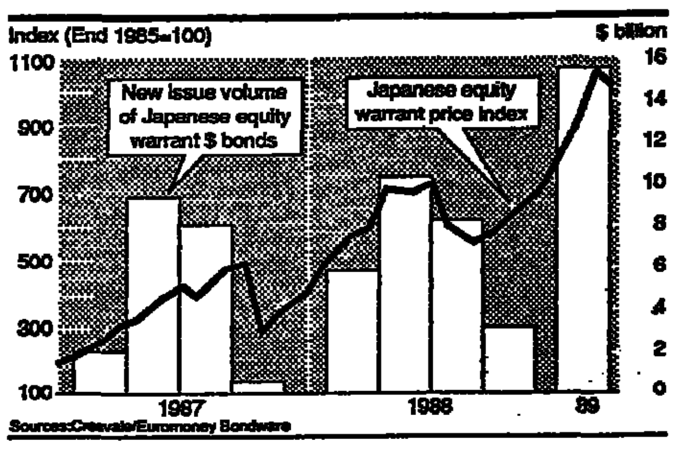
Market professionals are conspicuously absent from those predicting the imminent demise of the Nikkei 225's upward progress – "a natural correction," was one trader's description of the 366 point fall.

The word from Tokyo is that the new financial/fiscal year beginning in April should see a powerful buying surge, perhaps sending the Nikkei index to 34,000. Pundits who predicted 35,000 by the end of 1989 and were ridiculed last year are now beginning to look conservative.

Equity warrant traders say that their market is largely unaffected by what happens to the Nikkei, arguing the index is increasingly unrepresentative of the all-share market.

Equity warrant holders have made fabulous profits in this year's glamourous sectors. In particular, some construction-linked companies have seen their share prices more than double, implying up to 400 per cent gains for investors which bought warrants at lower levels.

One beneficiary has been Nomura's recent equity warrant issue for Ohbayashi Corporation. The bonds went to an immediate premium to their par issue price, trading in the grey market at 105 bid at the end of the first day.



Sources:Creavale/Euromoney Bondware

On Thursday, traders were quoting the bonds with warrants as high as 109 bid, much to the frustration of some investors who had left overnight offers and found themselves short when the price ran away from them.

The main reason for the demand is that Ohbayashi has an affiliate called Ohbayashi Road Construction which is involved in civil engineering projects and land development, activities which Japanese investors have accorded the highest status.

In one case, enthusiasm for construction-related stocks went too far. Nomura was scheduled to bring an equity warrant deal last Thursday for Toyo Construction, a major civil engineering company.

The Ministry of Finance, which guards against manipulation of prices ahead of price fixings, stepped in to block the deal after Toyo's share price responded too positively to news of the deal. Since the beginning of January, Toyo shares have risen from Y560 to Y1,320, or by 135 per cent.

To coincide with the new financial year, the major Japanese banks and brokers produce lists of recommended stocks which define their investment outlook for the months ahead. Nomura's list of 13 stocks is the first to become public this week and it casts interesting light on the likely strengths of the market.

Nomura has based its selection on a projected decline in interest rates and a gradual strengthening of the yen. It is stressing the dynamism of domestic companies, targeting companies involved in major infrastructure projects which are leading Japan into the next century.

● The International Primary Markets Association (Ipma) market practices committee met last week to discuss the widespread dissatisfaction among syndicate managers with existing Eurobond new issue procedures.

Committee members said there was fruitful and open discussion. The chairman, Mr Hansgeorg Hofmann, said the committee would meet again on April 10 to try to formulate a recommendation for presentation to the main Ipma board which is due to meet on April 14. Mr Hofmann said he was pleased with progress and hoped that a recommendation would be forthcoming.

The committee agreed to refrain from further comment ahead of the main board meeting, but it is believed that there were dissenters who argued that the current syndication procedures should be left intact.

There has been ongoing controversy among Eurobond houses which have lost money as a result of the abuse of syndication practice by lead managers.

The present rules allow lead managers to deduct a charge from comanagers underwriting fees for costs incurred in stabilising the price of new issue bonds. Some houses have been accused of deliberately pricing deals aggressively with the intention of reducing comanagers' fees, perpetuating an inefficient and expensive method of distributing bonds to end investors.

At the beginning of March, Credit Suisse First Boston announced that it would no longer make prices of its new issues to brokers in an attempt to prevent traders outside its syndicate interfering in the distribution process.

Several other houses, including Deutsche Bank and Union Bank of Switzerland, have since launched issues under radically altered syndication procedures.

Although this is an improvement, many players think the lack of a standard is causing undue confusion. They are looking to Ipma to produce a thorough recommendation defining new issue practice along rational lines.

They want the onus to be on lead managers to price deals realistically. At the moment, the market practices committee is the crucial forum. Its members are being lobbied to try to make sure they produce a recommendation forceful enough to be acceptable to the market.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Ohbayashi Corp.♦◆	200	1993	4	4¼	100	Nomura Int.	4.250
Teijin Ltd.♦◆	300	1993	4	4⅛	100	Daiwa Europe	4.125
Nippon Shinpan Co.♦	300	1993	4	(4⅝)	100	Daiwa Europe	*
Nippon Shinpan Co.♦	150	1993	4	(4⅝)	100	Nomura Singapore	*
General Elec.Cap.Corp.◆	300	1991	2	10½	100.95	Kidder Peabody	9.993
Finnish Export Credit◆	100	1991	2	10½	101.05	Mitsubishi Fin.Int.	10.020
Skopbank (Cayman)‡◆	50	1994	5	(a)	101.075	DKB International	-
Mitsubishi Corp.Fin.◆	150	1991	2	0	83.525	J.P. Morgan Secs.	9.419
BNL Singapore◆	100	1990	1	10.88	100⅝	Yamaichi Int. (Eur)	10.112
Nok Corp.♦	150	1993	4	(4⅝)	100	Nomura Int.	*
CANADIAN DOLLARS							
Compagnie Bancaire◆	100	1992	3	12	101.30	Goldman Sachs	11.464
Nat.Nederlanden US◆	75	1991	2	12⅝	101.65	UBS (Secs)	11.893
Export Dev. Corp.◆	100	1990	1	13	101⅞	Wood Gundy	11.467
AUSTRALIAN DOLLARS							
Volkswagen Int. Fin.◆	100	1994	5	15	102	Deutsche Bk Cap.Mkts	14.412
D-MARKS							
Rami Oil Ticaret**◆	30	1993	4	8½	100	J.P. Morgan	8.500
IKB Int. Luxembourg◆	100	1994	5	6¾	100½	Industriekreditbank	6.629
SWISS FRANCS							
Nomura Secs.(g)§◆	250	1994	-	½	100	UBS	0.500
Nomura Secs.(g)**§◆	250	1994	-	½	100	Nomura Bank (Switz)	0.500
Escom(South Africa)**◆	50max	1994	-	7½	100	(b)	7.500
FRENCH FRANCS							
NERSA(d)‡◆	400	1997	8	10bp	100	Societe Generale	-
LUXEMBOURG FRANCS							
Copenhagen Telephone**◆	300	1994	5	8	100½	Kredietbank Int.	7.875
Copenhagen Telephone**◆	300	1994	5	8	100½	BIL	7.875
Fiat Finance & Trade**◆	300	1992	3	8	100½	BGL	7.807
YEN							
Kansallis-Osake-P(e)**◆	6bn	1993	4	7.42	101.625	Nippon Credit Int.	6.941
Midland Int.Fin.(f)◆	5bn	1999	10	7¾	102	Samuel Montagu	7.459
Swedbank(e)◆	3.5bn	1993	4	7⅞	101.95	Bk of Tokyo Cap.Mkts	7.049
STERLING							
J. Sainsbury(Cap.)(c)§◆	150	2004	15	5	100	Warburg Securities	5.000

*Not yet priced. **Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Currency-linked redemption. b) Agent bank - Bank Leu. Amount will be between Sfr30m-50m. Call after 2 years at 101. Put option after 6 months at 99¼ and thereafter every six months (until 30 months at 101). Redemption at 102 after 3 years. c) Put option after 5 and 10 years. d) Call after 2 years at 101 and thereafter on each coupon date. 10bp over 3 month Pibor. e) Redemption linked to Nikkei stock index. f) Redemption in yen. Coupon in A$. g) Put yields 1.86%. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Ennui before February trade data

THE GILT-EDGED securities market put in one of its dullest weeks in recent memory last week. A dearth of investor interest in the market, with the exception of the Bank of England, produced little movement in prices.

The reason for the ennui currently gripping the market probably reflects the coincidence of Easter coming ahead of a week of some significance for credit markets.

The two most important events this week are the US Federal Reserve Board's Federal Open Market Committee meeting and the Bundesbank's council meeting. Of more parochial interest for UK gilts is tomorrow's February trade figures.

Last week, there were clear signs that neither the Fed nor the Bundesbank were looking to push short-term interest rates higher. The Bundesbank's fixed rate securities repurchase (repo) tender at 5.8 per cent and the Fed's money market operations suggesting short-term comfort with Fed funds at current levels kept markets subdued, although not convinced that interest rates have peaked.

UK economic data released last week told the market little that was new. Official money supply figures underlined the speed of the fall in the growth of M0, although the weekly notes in circulation figures have been rendered meaningless because of the timing of Easter. Thursday's retail prices data were within a reasonable degree of tolerance of the consensus expectation.

At the long end of the market, February 17 was the peak of the pre-Budget bull run; since then it has fallen by around 25 basis points as concern over the inflation outlook has gathered pace.

Although the market will continue to be well supported by the Bank's activities – it is likely to have a £2bn to £3bn overhang on funding to carry forward in to the new financial year together with the £14bn requirement as set out in the Budget – progress depends on the degree to which the Government succeeds in cracking the underlying inflation rate of around 5 per cent.

* * *

ONE OF the aspects in Mr Lawson's Budget that raised a cynical eyebrow among many gilt-edged analysts was the way the Treasury used the state of the gilt yield curve to suggest inflation expectations of long-term investors had remained stable-to-improving.

On two occasions in the Red Book the Treasury drew attention to the stability of long-term interest rates in the UK. This was seen as self-serving. Did not the Bank's buying in of gilts artificially increase prices and depress yields, many asked.

The Paris-based Organisation of Economic Co-operation and Development is an unlikely source of guidance on these matters, but a study published last week (Economies in Transition: Structural Adjustment in OECD Countries) sheds some light on the issue of government debt and interest rates.

The last chapter of the book, which concerns the public sector, should be read by anyone interested in the future of government bond markets. It shows that, after a decade of fiscal prudence in most OECD countries, most bond markets are headed for a period of contraction, although few at the alarming rate of retrenchment currently seen in the UK.

A section of the chapter discusses the unsatisfactory and unresolved debate concerning "crowding out" and the persistence of high nominal and real interest rates in bond markets. Although the proposition, that government borrowing displaces corporate borrowing and raises the interest rate level, felt right intuitively, the evidence for or against was thin. A causal link was hard to demonstrate empirically.

The OECD suggests that the inability of economists to agree about the crowding out/high interest rate conundrum was because they did not consider that "the stock of debt may matter for interest rates as much as the deficit itself." Portfolio balance principles suggest the increases in debt/gross national product ratios may affect the level of interest rates, it says.

"The failure of bond yields to respond to falling structural deficits may be due to the fact that debt/GNP have, in most cases, continued to rise. . . One presumption might be that the higher the public debt or public expenditure burden, the higher the inflation-risk premium demanded by savers before they will invest in bonds."

If this is the case, then the fall in long yields in the UK may reflect less the Bank's buying in and more the fact of the contraction in the stock of gilts, and that the Treasury has a tight rein on public expenditure. In the UK, between 1986 and 1988 gross public debt as a percentage of GDP has fallen from 53 per cent to 46 per cent, according to OECD estimates.

Perhaps investors are now prepared to accept lower real, and hence nominal, interest rates because of Mr Lawson's success in repaying debt and controlling public spending. If so, the Chancellor was right to crow about the stability of long-term gilt yields.

Simon Holberton

US MONEY AND CREDIT

Novel question for the US economy

IS TIGHTER money beginning to squeeze the US economy?

The question is a novel one. Just 10 days ago, stock and bond markets all round the world were retreating in alarm at US inflation that seemed to be careering out of control.

Last week was much quieter but the Treasury long bond – the pre-eminent measure of inflationary fears and hopes – was still trading on Thursday at nearly 9¼ per cent, the top of its range for the past year.

But one key area of US economic activity is beginning to feel the bite of the Federal Reserve's tighter monetary policy. The housing market is going into its spring sales season in a state of anxiety that shows through even the optimistic patter of real estate agents.

A combination of forces in the market for housing credit has pushed up mortgage rates to their highest level for years and some people think they are headed yet higher.

In housing markets that have risen sharply, above all in the north-eastern US, inflationary expectations are under pressure for the first time in half a decade. Across the country as a whole, housing starts plunged by 11.4 per cent in February.

The Fed's influence in the housing market is all the more remarkable because of the revolution in mortgage credit in the US.

Up until the turn of 1980s, mortgage markets were fragmented, regional and comparatively illiquid. US savings and loan institutions, which did the bulk of mortgage lending, were limited in the interest rate they could charge on deposits.

The Fed could choke off housing activity and cool the economy simply by push ing market interest rates above the thrifts' deposit-rate ceilings, so they could not find the funds for lending.

The abolition of these ceilings allowed the thrifts to charge any rate they wanted. Meanwhile, the market saw a huge increase in liquidity through the pooling of mortgages into securities for sale to institutional investors as well as thrifts.

In this deregulated environment, with all regional barriers down, economists warned that it would be extremely hard for the Fed to rein in housing activity.

But events have turned out otherwise. For all its vast size, the market for mortgage-backed securities is showing incipient signs of poor liquidity.

According to Mr Jerry Dell'Isola, a market analyst at Smith Barney, mortgage-backed securities have underperformed Treasury bonds consistently since the autumn which ever way the overall credit market has gone.

Last week, the benchmark General National Mortgage Association or Ginnie Mae 10-year security, which has the implicit backing of the Federal Government, was yielding 134 basis points (1.34 percentage points) more than its equivalent Treasury issue.

For the prospective householder, the cost of mortgage money has soared. According to Mr Paul Havmann, vice-president of HSH Associates, a New Jersey mortgage finance consultant, 30-year fixed-rate mortgages now cost an average of 11.07 per cent a year, the highest rate since the end of 1987.

Adjustable-rate mortgages, which account for more than half of the market, are being offered at discounted first-year rates of 9.10 per cent, the highest since early 1986.

These mortgages usually have annual interest-rate caps: without them, their yields would be well over 12 per cent. "These rates are really being felt," Mr Havmann says. "Prices and volume are down in the north-east and it will be California next."

The key to the problem is the weakness of the thrifts. The rise in short-term interest rates which the Fed has engineered is causing them pain. Under pressure from Washington to clean up their messy balance-sheets, they are finding it hard to compete for deposits at current interest rates.

This has forced them to dump mortgage assets they cannot finance into the secondary market. Says Mr Jonathan Gray, a thrift analyst at Sanford Bernstein: "Seventy-five per cent of the industry has no ability to grow its mortgage assets. The largest buyer is out of the market."

This all sounds like the answer to a bond bull's prayer: rising rates in the mortgage market will lead to default and liquidation which will seep out into the economy.

Mr David Hale, an economist at Kemper Financial Services in Chicago, says: "At last, we are seeing some damage in a market and some pressure on liquidity. That is what the bond market wants. It is pain and forced sales that lead to a recession."

Mr Gray, of Sanford Bernstein, is the most gloomy for the housing market.

"Because of the drying-up of demand in the mortgage-backed market, long-term fixed rate mortgages are going to rise 150 basis points to 12.5 per cent. The price of home ownership and mortgage credit in the US is about to soar dramatically."

At that level, defaults by householders would probably precipitate quite a sharp fall in real estate values.

The outlook may not be quite as bearish for real estate and bullish for bonds. Mr Dell'Isola, of Smith Barney, thinks that the Fed's tightening activity, which has sent one-year Treasury bills to 9.67 per cent, has reached its peak.

If weak economic data allow the Fed to ease off a bit, the thrifts should be able to recapture portions of their deposit base. Even so, he warns that thrifts will continue to merge and consolidate and this will lead to further sales of mortgages.

Mr Hale warns that intense interest in domestic inflation in the US risks ignoring the country's deteriorating international trade accounts. It is no good if the Fed manages to squeeze inflationary expectations out of the housing market if it causes export industries to grind to a halt.

"All the preconditions appear to be falling into place for another dollar devaluation this summer," he says. And a weak dollar would destroy a rally in the credit markets.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.88	9.62	9.77	9.89	6.27
Three-month Treasury bills	9.03	9.13	8.67	9.13	6.21
Six-month Treasury bills	9.01	9.42	8.71	9.42	5.72
Three-month prime CDs	10.15	10.35	8.90	10.35	6.77
30-day Commercial Paper	9.95	9.90	9.62	9.90	6.65
90-day Commercial Paper	10.05	10.00	9.72	10.00	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk ago
Seven-year Treasury	[illegible]	[illegible]	9.31	9.54	9.45
20-year Treasury	[illegible]	[illegible]	9.42	9.53	9.31
30-year Treasury	[illegible]	[illegible]	9.21	9.28	9.18

Source: Salomon Bros (estimates).

Money supply: In the week ended March 13 M1 fell by $7.5bn to $784bn.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	108-00	-	10.69	10.79	10.96
	9.750	1/98	98-10	-	10.04	10.06	10.16
	9.000	10/08	99-04	-	9.10	9.10	9.13
US TREASURY *	8.875	2/99	96-15	+2/32	9.42	9.53	9.35
	8.875	2/19	96-12	+0/32	9.22	9.33	9.16
JAPAN No 111	4.600	6/98	98.2550	-0.211	5.20	5.24	4.99
No 2	5.700	3/07	108.0270	-0.250	5.06	5.09	4.80
GERMANY	6.375	11/98	96.0500	-	6.94	6.96	6.96
FRANCE BTAN	8.000	1/94	95.4113	-	9.20	9.35	9.45
OAT	8.125	5/98	94.0700	-	9.03	9.14	9.30
CANADA *	10.250	12/98	97.6250	-	10.64	10.75	10.56
NETHERLANDS	6.7500	10/98	97.6250	-	7.09	7.13	7.24
AUSTRALIA	12.000	7/99	91.0259	-	13.63	13.63	13.85

London closing. *denotes New York morning session.

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid	Offer	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on MARCH 23

Bondholders' move forces MCorp into Chapter 11

By Anatole Kaletsky in New York

MCORP, the last large bank in Texas to have remained independent, announced yesterday that it was filing for protection under Chapter 11 of the US bankruptcy code, after learning that a group of bondholders had submitted an involuntary winding-up petition to a court in New York.

MCorp's precedent-setting filing puts the company's future in the hands of the bankruptcy courts instead of the monetary authorities, and therefore poses a serious challenge to the system of US bank regulation.

The Federal Deposit Insurance Corporation and Federal Reserve Board were known to have been concerned about an earlier threat of bankruptcy issued by Mr Gene Bishop, MCorp's tough chairman, last October.

The threat came after the Federal Reserve suggested that $400m of cash and other assets belonging to MCorp, which is a bank holding company, should be injected into some of its technically insolvent banking subsidiaries.

Mr Bishop argued that these assets belonged to MCorp's bond and shareholders and should not be used to support insolvent banks.

The Fed's long-standing policy, in contrast, had been that all assets of bank holding companies must be available to support the banks they control.

This policy was not only a fundamental principle of US bank regulation but also played a key part in the Fed's thinking about extending bank holding companies' powers into other fields, such as securities and insurance. However, it had never been tested in the courts or backed by explicit legislation, and the Fed was believed to be anxious to avoid a test, particularly in the bankruptcy courts.

As a result, the Fed backed away from its demand that MCorp immediately recapitalise its subsidiaries, and the regulatory bodies worked hard behind the scenes with Mr Bishop to find a buyer for the company.

The regulators also persuaded MCorp's institutional creditors to await an officially-backed restructuring. But they did not reckon on a number of recalcitrant bondholders.

MCorp suspended interest payments on $470m worth of bonds last October and in spite of its co-operation with *FDIC* and Fed examiners it remained in default on these bonds. This allowed three small creditors, holding only about $2m of debt between them, to submit a petition on Friday night for MCorp's involuntary liquidation under Chapter 7 of the US bankruptcy court.

The creditors argued that they should have first call on the assets remaining in the holding company, rather than allowing these to be used as part of a Federally-backed bail-out of MCorp's subsidiary banks.

In response to this petition, MCorp said yesterday morning that it would use its rights to convert the Chapter 7 filing into a voluntary filing under Chapter 11. This would suspend all claims against the company and place MCorp's assets under the control of the bankruptcy court, while management took time to propose a reorganisation plan.

Buy-out proposal values AMI at $3bn

By Anatole Kaletsky

AMERICAN Medical International, the third largest *US hospital* group, has received a leveraged buy-out offer worth $24 a share, or about $3bn in total. It is also considering an alternative financial restructuring which "could provide shareholder value of between $25 and $29" over a six to nine-month period.

The offer for AMI, which had long been subject to takeover speculation, came from Dr M. Lee Pearce, owner of one of the largest shareholdings in the company, and a financial vehicle called Shamrock Investments, created by two former executives, Mr Charles Reilly and Mr Michael Gallagher.

Shamrock said that it was unrelated to Shamrock Holdings, another Los Angeles buy-out group controlled by Mr Roy Disney, which has recently been involved in a takeover bid for Polaroid. Dr Pearce owns 10 per cent of AMI's stock and is a director.

The Bass family of Texas is another big shareholder, with about 11 per cent of AMI.

The Pearce-Shamrock bid was said to be backed by "a major financial institution." About $20 to $22 of the $24 a share offer price would be paid in cash, with the rest paid in securities.

Details of the alternative restructuring plan were not disclosed, but the board said the plan would allow AMI to continue as a publicly traded company.

A special directors' committee is being appointed to compare the competing offers.

Reuters in electronic trading plan

By James Buchan in New York

REUTERS Holdings, the UK news and information group, and its Instinet subsidiary have teamed up with two US exchanges to launch an electronic network for round-the-clock trading of stocks and options.

The network, which has still to be approved by members of the two exchanges and US authorities, plans to list options traded on the Chicago Board Option Exchange, stocks traded on the Cincinnati stock exchange and US and UK stocks dealt through Instinet, which operates a computer-based market for block trades of stock.

Under the plan, traders will be able to get into these markets through Reuters' network of 173,000 video terminals which supply financial information to investors, bankers and traders worldwide.

Mr Duke Chapman, chairman of the Chicago Board, said: "The development of the electronic network is a natural for all parties concerned, bringing together the technological expertise already in place at our organisations."

Mr John Hull, executive vice-president of Reuters' US operation, said: "This venture will speed the process of providing a true 24-hour electronic market in world-class stocks and stock options."

The move, announced last week, will create and operate a worldwide electronic order entry, routing, negotiation and execution system for the securities of the two exchanges.

The Chicago Board, the world's largest options exchange, has already experimented with electronic trading through the so-called Electronic Book, a computerised system for its Standard & Poor's 100 and 500 index options.

But the Cincinnati exchange, which is fully computerised, and Instinet have not managed to attract a large market share in stock transactions from floor exchanges, such as the New York Stock Exchange.

Mr James Anderson, an executive of the Cincinnati exchange, said the link with Reuters' distribution system would increase access to its market, now conducted through its own monitors. Worldwide, Instinet traded about 2bn shares through 1,000 of its own terminals last year.

The Cincinnati and Chicago exchanges are regulated by the Securities and Exchange Commission, which will have to approve the deal.

Sale of Crediop stake agreed

By Alan Friedman in Milan

AGREEMENT has been reached on the gradual acquisition by Istituto San Paolo di Torino, the wealthy Turin bank, of a 40 to 50 per cent equity stake in Crediop, the Rome-based corporate finance and investment banking concern.

San Paolo is expected to spend up to L1,300bn ($947m) on the deal, which will create Italy's first large diversified commercial banking and financial services group. It will create a group with more than L100,000bn of assets.

The San Paolo-Crediop deal will also benefit Banco Nazionale del Lavoro, another big Italian bank, because two of Crediop's shareholders – INA, the state insurer, and INPs, the state pension organisation – are to sell their combined 30 per cent stake in Crediop to San Paolo and then use the proceeds to subscribe a planned capital increase for BNL, in which they are also shareholders.

Following the sale of the INA and INPs equity stakes, a Crediop rights issue will be reserved to San Paolo, which will gain an additional 5 per cent stake in Crediop by means of this issue.

It is not paying with cash, but by transferring some of its medium-term credit divisions to Crediop.

This issue will dilute the 65 per cent stake in Crediop now owned by the Cassa Depositi e Prestiti, the postal savings agency. A third phase of the deal will see San Paolo buying more Crediop shares from the Cassa Depositi until both San Paolo and the Cassa each control 40 or 50 per cent of Crediop.

●Banco di Roma, the smallest of the three commercial banks controlled by the IRI state holding group, has announced a return to profit for 1988. The bank, which is shortly to go ahead with a L1,000bn capital increase, made a L45.9bn net profit in 1988 against a break-even result in 1987.

The bank said that its deposits at the end of 1988 totalled L53,886bn.

Delhaize lifts payout to BFr48

By William Dawkins in Brussels

GROUP Delhaize Le Lion, the diversified Belgian-owned supermarket group, has increased its net dividend by 30 per cent from BFr37 to BFr48 for 1988.

The announcement coincided with the group's confirmation of a 43 per cent jump in after-tax profit for 1988 on a 24 per cent rise in turnover. Sales rose to BFr210.7bn ($5.4bn) from BFr170.3bn in 1987, with profits up from BFr1.58bn to BFr2.18bn.

Turnover in the Belgian part of the business, the country's second largest retailer, rose by 6 per cent to BFr66.4bn. Net earnings rose much faster, by 56 per cent to BFr851m, due mostly to a surge in investment income.

Food Lion, the 44 per cent owned US offshoot, managed a 31 per cent rise in net income to $112.5m on a 29 per cent increase in sales to $3.8bn. The US company expects to open 100 supermarkets in the US this year to add to its 567 existing stores.

Its Cub Foods franchise superstores business in Atlanta opened four outlets last year, bringing the total to seven.

Pingo Doce, Delhaize's Portuguese food retailing subsidiary, doubled its sales to Esc22.2bn ($144m) following the takeover of 15 supermarkets in 1987.

Next Computer extends market for workstations

By Louise Kehoe in San Francisco

NEXT Computer is expected to enter the commercial market with its advanced computer workstations, which have previously been available only to college students and teachers.

Mr Steve Jobs, owner of the company, is likely to unveil an agreement with Businessland, a leading US computer dealer, to sell the Next computer.

The move represents a change of plan for the company. When the Next Computer was launched last October, Mr Jobs, the former chairman and co-founder of Apple Computer, said he would not address immediately the broader business market.

Industry analysts believe that slower than anticipated sales of the computer to colleges and universities have forced a change of strategy.

Shamrock, Polaroid unveil peace pact

By Roderick Oram in New York

AIRMAIL MAY yet become a new term in US takeover battles following Polaroid's defeat of a bid by Shamrock Holdings, the investment vehicle of Mr Roy Disney, the California businessman.

The two parties unveiled a peace pact yesterday, ending an eight-month battle by Mr Disney to either take over the instant photography group or force a restructuring.

Shamrock had already agreed last Friday to tender its 6.9 per cent stake in Polaroid in the company's share buy-back, part of a package of defensive moves that will place a substantial minority of shares in friendly hands.

However, as part of the settlement Polaroid has agreed to spend $5m over the next three years buying air time to advertise its products on Shamrock's network of some 15 radio and television stations.

The clause looks like a minor variation on the discredited takeover ploy of greenmail, whereby a raider uses a block of shares in a target to persuade it to buy back its shares or spin-off a desirable part of its business.

In Polaroid's case, Shamrock will get no special treatment on the share buy-back. So heavy was the response, the company is accepting only 27 per cent of each shareholder's tender, including Shamrock's.

Polaroid also reimbursed Shamrock $20m for its bid expenses and agreed to distribute to shareholders certain percentages of the patent infringement damage award it will collect from Eastman Kodak. The award could run to about $1.5bn.

Privatbanken's UK subsidiary soars

By David Lascelles

PRIVATBANKEN Ltd, the UK subsidiary of Privatbanken of Denmark, made pre-tax profits of £7.75m ($13.3m) in 1988, up nearly 100 per cent on the £3.96m recorded a year earlier.

Experience of Danish business and Scandinavian currency dealing helped growth significantly.

Credito Italiano nears control of BNA

By Alan Friedman

CREDITO ITALIANO, one of Italy's largest state-controlled banks, has unveiled figures showing that it is progressing in its attempt to gain effective control of Banca Nazionale dell'Agricoltura (BNA), the biggest private Italian bank.

Credito Italiano said that it now owns 7.9 per cent of BNA and 20.8 per cent of Bonifiche Siele, a quoted financial vehicle that owns 42 per cent of BNA.

Mr Lucio Rondelli, managing director of Credito Italiano, is continuing talks with Count Giovanni Auletta, the BNA chief who controls Bonifiche and who is gradually succumbing to pressure to agree to links with Credito.

On Thursday Credito Italiano reported that its gross operating profit for 1988 jumped to L1,015bn ($740m) from L420bn, helped by extraordinary credits from the 1987 sale of a stake in Mediobanca, the merchant bank.

●Banca Commerciale Italiana, another leading state-owned commercial bank, yesterday announced net profits for 1988 of L501.3bn, up from L314.4bn in 1987.

●Cofide, the holding company controlled by Mr Carlo De Benedetti and his cousin, Mr Camillo De Benedetti, showed a net profit of L48.3bn for the 18 months to December. No comparable figure was available because of a change in accounting period, Our Financial Staff writes.

The dividend is L90 per share, but L60 for those shares issued in January 1988 as part of a capital increase. The 1987 payment was L60.

Mr Renaud de la Genière, chairman of the French Suez group, was appointed to the board. Suez is boosting its stake in Cofide to around 10 per cent from 4 per cent.

UK COMPANY NEWS

Barings static at £8m as non-banking side falls

By David Lascelles, Banking Editor

BARINGS, the privately-owned City of London merchant banking group, had "a good profitable year" in 1988 though it was not up to the standard of 1987, according to Sir John Baring, the chairman.

The group's annual report, out today, shows an unchanged post-tax result of £8m. This includes £6.97m ($6.38m) from banking activities and a lower £1.03m (£1.67m) from the non-banking side. However the banking figures do not show the true position, and are intended only to be indicative.

Sir John says corporate finance was "outstandingly active" and profitable. Baring Securities, which specialises in the Far East markets "continues to go from strength to strength". But investment management continued to suffer from the effects of the 1987 market crash.

Sir John Baring: results not up to the standard of 1987

Barings' banking and capital markets activities "were not immune from the well-publicised difficulties which affected fixed interest market making," – a reference to the losses being experienced in the gilt-edged market.

Sir John says that the EC's plan for a single market "presents a tremendous opportunity for London in merchant and investment banking," though it also implies more competition. The UK should take the lead, he says, in ensuring that the financial services and securities markets of other, more restrictive, countries are opened up.

Sir John is retiring as chairman after 15 years. He is succeeded by Mr Peter Baring, a distant cousin.

British Steel switches rails

By Nick Garnett

BRITISH STEEL has taken a sidestep into diversification with the announcement that it is purchasing Grant Lyon Eagre (GLE), a company which lays specialist rail track and manufactures rail switches and points.

The steel maker, privatised in December, said the purchase would be complementary to its track products division in Workington, Cumbria which makes rails, sleepers and track accessories.

GLE is a subsidiary of Boskalis Westminster, part of the Dutch holding group, Royal Boskalis Westminster. The purchase price was not disclosed.

GLE, which employs 250 and is based in Scunthorpe, South Humberside, had sales last year of £10m.

It specialises in track for dockside cranes and shiplifts, but has laid track for the Docklands railway in London and has worked as a subcontractor for British Rail

A substantial part of GLE's sales come from exports, particularly to Africa.

British Steel's track products business had sales of £85m last year. It announced this week a £12m order to supply track for a new line to be laid by the Indian Railways Board between Calcutta and Delhi.

Workington produces about 250,000 tonnes of rail track a year. British Steel said the purchase of GLE would help the steel maker anticipate changes in the market for rail.

Since privatisation, British Steel has raised its stakeholding in Tinsley Wire Industries (Twil), the Sheffield wire and wire products maker, and has entered talks on the possible purchase of part of the West German Klöckner group.

Garton profits boosted 52%

A CONTINUING high level of demand and the containment of costs enabled Garton Engineering to lift turnover 29 per cent and pre-tax profit 52 per cent in 1988.

Mr Aubrey Garton, chairman, said the group, which makes components and special fasteners, worked to capacity and containing costs had been all important. Heavy capital expenditure and the resultant increased productivity contributed to the results and would continue to do so.

Turnover rose to £20.12m (£15.59m) and taxable profit to £1.22m (£803,000). Earnings were 21.3p (15.05p) and the proposed final dividend is 4.75p (3.75p) for a total of 6.25p (5p).

Looking to the current year, Mr Garton said a significant increase in manufacturing plant coming into operation in the second half would ease the capacity constraint; and so the group would hope to offset high interest and an expected small reduction in the growth of market demand.

There would also be a full year's contribution from 1988 acquisitions, Kinnings of Southport and H Goodwin.

Bear Brand relaunches rights

By John Thornhill

BEAR BRAND, the hosiery group, is to relaunch a £5m rights issue on "substantially the same terms" as one that was voted down by its shareholders in January.

Earlier this month, the shareholders who opposed the issue, Dr Ashraf Marwan, the Egyptian financier, the Luxembourg-based Ifincorp SA, and Sheikh Amin Al-Dahlawi, sold their 24.5 per cent holding in the company, clearing the way for the renewed issue.

Mr Nick Oppenheim, Bear Brand chairman, said yesterday: "I am pleased that we are now able to take the company forward once more."

The two-for-three rights issue involves 58.13m new shares at 9p each – 6p payable on acceptance and 3p in September.

The proceeds will be used to develop the company's manufacturing and distribution operations and to enable the company to diversify

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Thursday March 23,1989. . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.6699	30.8229	43.9645
Albania	(Lek)	10.1399	5.8918	3.1490	4.4916
Algeria	(Dinar)	11.8775	6.9015	3.6886	5.2613
Andorra	(Fr Fr)	10.8975	6.3320	3.3843	4.8272
	(Sp Peseta)	200.25	116.3567	62.1894	88.7043
Angola	(Kwanza)	52.0250	30.2295	16.1568	23.0454
Antigua	(E Carr $)	4.6602	2.7078	1.4472	2.0643
Argentina	(Austral)	73.0813	42.4644	22.6960	32.3726
Aruba	(Florin)	3.0895	1.7951	0.9594	1.3685
Australia	(Aus $)	2.0853	1.2116	0.6476	0.9237
Austria	(Schilling)	22.585	13.1231	7.0139	10.0044
Azores	(Port Escudo)	263.80	153.2829	81.9254	116.8549
Bahamas	(Bahama $)	1.7210	1	0.5344	0.7623
Bahrain	(Dinar)	0.6515	0.3785	0.2023	0.2885
Balearic Is	(Sp Peseta)	200.25	116.3567	62.1894	88.7043
Bangladesh	(Taka)	55.00	31.9581	17.0807	24.3632
Barbados	(Barb $)	3.4715	2.0171	1.0781	1.5377
Belgium	(Belg Fr)	67.35c	39.1342	20.9161	29.8338
		67.55g	39.2504	20.9782	29.9224
Belize	(B $)	3.4520	2.0058	1.0720	1.5291
Benin	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Bermuda	(Bermudian $)	1.7210	1	0.5344	0.7623
Bhutan	(Ngultrum)	27.00	15.6885	8.3850	11.9601
Bolivia	(Boliviano)	4.3495	2.5273	1.3507	1.9266
Botswana	(Pula)	3.5175	2.0438	1.0923	1.5581
Brazil	(Cruzado)	1.7213	1	0.5345	0.7624
British Virgin Is	(US $)	1.7210	1	0.5344	0.7623
Brunei	(Brunei $)	3.3493	1.9461	1.0401	1.4836
Bulgaria	(Lev)	1.4956	0.8690	0.4644	0.6625
Burkina Faso	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Burma	(Kyat)	11.4112	6.6305	3.5438	5.0547
Burundi	(Burundi Fr)	264.3773	153.6184	82.1047	117.1106
Cameroon	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Canada	(Canadian $)	2.0470	1.1894	0.6357	0.9067
Canary Is	(Sp Peseta)	200.25	116.3567	62.1894	88.7043
Cp. Verde Is	(CV Escudo)	131.6161	76.4765	40.8745	58.3017
Cayman Is	(CI $)	1.4326	0.8324	0.4449	0.6345
Cent.Afr. Rep	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Chad	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Chile	(Chilean Peso)	437.20	254.0383	135.7763	193.6655
China	(Renminbi Yuan)	6.4150	3.7274	1.9922	2.8416
Colombia	(Col Peso)	614.99	357.3445	190.9906	272.4208
Comoro Is	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Congo (Brazz)	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Costa Rica	(Colon)	138.5115	80.4831	43.0159	61.3561
Cuba	(Cuban Peso)	1.3145	0.7638	0.4082	0.5822
Cyprus	(Cyprus £)	0.8300	0.4822	0.2577	0.3676
Czechoslovakia	(Koruna)	25.66c	14.9099	7.9689	11.3665
		16.63i	9.6629	5.1645	7.3665
		16.63t	9.6629	5.1645	7.3665
Denmark	(Danish Kroner)	12.5550	7.2951	3.8990	5.5614
Djibouti Rep	(Djib Fr)	299.00	173.7361	92.8571	132.4473
Dominica	(E Carrib $)	4.6602	2.7078	1.4472	2.0643
Dominican Rep	(D Peso)	10.9601	6.3684	3.4037	4.8549
Ecuador	(Sucre)	759.07o	441.0633	235.7360	336.2436
		894.93a	520.0058	277.9285	396.4252
Egypt	(Egyptian £)	4.1790	2.4282	1.2978	1.8511
El Salvador	(Colon)	8.6300	5.0145	2.6801	3.8228
Equat'l Guinea	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Ethiopia	(Ethiopian Birr)	3.5463	2.0606	1.1013	1.5708
Falkland Is	(Falk £)	1.00	0.5810	0.3105	0.4429
Faroe Is	(Danish Kroner)	12.5550	7.2951	3.8990	5.5614
Fiji Is	(Fiji $)	2.4680	1.4340	0.7664	1.0932
Finland	(Markka)	7.2688	4.2235	2.2573	3.2198
France	(Fr)	10.8975	6.3320	3.3843	4.8272
Fr. Cty/Africa	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Fr. Guiana	(Local Fr)	10.8975	6.3320	3.3843	4.8272
Fr. Pacific Is	(CFP Fr)	193.00	112.1441	59.9378	85.4928
Gabon	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Gambia	(Dalasi)	11.2190	6.5188	3.4841	4.9696
Germany East	(Ostmark)	3.2200	1.8710	1	1.4263
Germany West	(DMark)	3.2200	1.8710	1	1.4263
Ghana	(Cedi)	448.8846	260.8277	139.4051	198.8414
Gibraltar	(Gib £)	1.00	0.5810	0.3105	0.4429
Greece	(Drachma)	271.20	157.5828	84.2236	120.1328

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	12.5550	7.2951	3.8990	5.5614
Grenada	(E Carr $)	4.6602	2.7078	1.4472	2.0643
Guadaloupe	(Local Fr)	10.8975	6.3320	3.3843	4.8272
Guam	(US $)	1.7210	1	0.5344	0.7623
Guatemala	(Quetzal)	4.7551	2.7629	1.4767	2.1063
Guinea	(Fr)	517.80	300.8715	160.8074	229.3687
Guinea-Bissau	(Peso)	1121.90	651.8884	348.4161	496.9656
Guyana	(Guyanese $)	15.4100	8.9540	4.7857	6.8261
Haiti	(Goude)	8.6300	5.0145	2.6801	3.8228
Honduras	(Lempira)	3.4520	2.0058	1.0720	1.5291
Hong Kong	(HK $)	13.4413	7.8101	4.1743	5.9540
Hungary	(Forint)	93.2784	54.2001	28.9684	41.3193
Iceland	(Icelandic Krona)	90.80	52.7600	28.1987	40.2214
India	(Indian Rupee)	27.00	15.6885	8.3850	11.9601
Indonesia	(Rupiah)	3034.82	1763.4049	942.4906	1344.3277
Iran	(Rial)	121.55	70.6275	37.7484	53.8427
Iraq	(Iraqi Dinar)	0.5360	0.3114	0.1664	0.2374
Irish Rep	(Punt)	1.2045	0.6998	0.3740	0.5335
Israel	(Shekel)	3.1300	1.8187	0.9720	1.3864
Italy	(Lira)	2366.00	1374.7821	734.7826	1048.0620
Ivory Coast	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Jamaica	(Jamaican $)	9.2800	5.3922	2.8819	4.1107
Japan	(Yen)	225.75	131.1737	70.1086	100
Jordan	(Jordanian Dinar)	0.9170	0.5328	0.2847	0.4062
Kampuchea	(Riel)	172.10	100	53.4472	76.2347
Kenya	(Kenya Shilling)	33.07	19.2155	10.2701	14.6489
Kiribati	(Australian $)	2.0853	1.2116	0.6476	0.9237
Korea North	(Won)	1.6742	0.9728	0.5199	0.7416
Korea South	(Won)	1162.98	675.7582	361.1779	515.1627
Kuwait	(Kuwaiti Dinar)	0.49953	0.2902	0.1551	0.2212
Laos	(New Kip)	742.18	431.2492	230.4906	328.7619
Lebanon	(Lebanese £)	832.38	483.6606	258.5031	368.7176
Lesotho	(Maloti)	4.3883	2.5498	1.3628	1.9438
Liberia	(Liberian $)	1.7210	1	0.5344	0.7623
Libya	(Libyan Dinar)	0.5083	0.2953	0.1578	0.2251
Liechtenstein	(Swiss Fr)	2.7975	1.6255	0.8687	1.2392
Luxembourg	(Lux Fr)	67.35	39.1342	20.9161	29.8338
Macao	(Pataca)	13.9022	8.0779	4.3174	6.1582
Madeira	(Port Escudo)	263.80	153.2829	81.9254	116.8549
Malagasy Rep	(MG Fr)	2500.00	1452.6438	776.3975	1107.4197
Malawi	(Kwacha)	4.5800	2.6612	1.4223	2.0287
Malaysia	(Ringgit)	4.7423	2.7555	1.4727	2.1006
Maldive Is	(Rufiya)	15.0335	8.7353	4.6687	6.6593
Mali Rep	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Malta	(Maltese £)	0.5880	0.3416	0.1826	0.2604
Martinique	(Local Fr)	10.8975	6.3320	3.3843	4.8272
Mauritania	(Ouguiya)	129.4500	75.2178	40.2018	57.3421
Mauritius	(Maur Rupee)	25.15	14.6135	7.8105	11.1406
Mexico	(Mexican Peso)	4109.63a	2387.9314	1276.2826	1820.4341
		4044.20d	2349.9128	1255.9627	1791.4507
Miquelon	(Local Fr)	10.8975	6.3320	3.3843	4.8272
Monaco	(French Fr)	10.8975	6.3320	3.3843	4.8272
Mongolia	(Tugrik)	5.7916	3.3652	1.7986	2.5654
Montserrat	(E Carr $)	4.6602	2.7078	1.4472	2.0643
Morocco	(Dirham)	14.40	8.3672	4.4720	6.3787
Mozambique	(Metical)	1188.9033	690.8212	369.2246	526.6459
Namibia	(S A Rand)	4.3883	2.5498	1.3628	1.9438
Nauru Is	(Australian $)	2.0853	1.2116	0.6476	0.9237
Nepal	(Nepalese Rupee)	41.4240	24.0697	12.8645	18.3495
Netherlands	(Guilder)	3.6325	2.1106	1.1281	1.6090
N'nd Antilles	(A/Guilder)	3.0895	1.7951	0.9594	1.3685
New Zealand	(NZ $)	2.7955	1.6243	0.8681	1.2383
Nicaragua	(Cordoba*)	9493.00	5515.9790	2948.1366	4205.0941
Niger Rep	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Nigeria	(Naira)	12.6861	7.3713	3.9397	5.6195
Norway	(Nor. Krone)	11.6825	6.7882	3.6281	5.1749
Oman	(Rial Omani)	0.6650	0.3864	0.2065	0.2945
Pakistan	(Pak. Rupee)	34.50	20.0464	10.7142	15.2823
Panama	(Balboa)	1.7210	1	0.5344	0.7623
Papua New Guinea	(Kina)	1.4393	0.8363	0.4469	0.6375
Paraguay	(Guarani)	690.40o	401.1621	214.4099	305.8250
		1731.18a	1005.9151	537.6335	766.8571

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Inti)	2100.54a	1220.5345	652.3416	930.4717
Philippines	(Peso)	36.50	21.2085	11.3354	16.1683
Pitcairn Is	(£ Sterling)	1.00	0.5810	0.3105	0.4429
	(NZ $)	2.7955	1.6243	0.8681	1.2383
Poland	(Zloty)	979.06	568.8901	304.0559	433.6921
Portugal	(Escudo)	263.80	153.2829	81.9254	116.8549
Puerto Rico	(US $)	1.7210	1	0.5344	0.7623
Qatar	(Riyal)	6.2900	3.6548	1.9534	2.7862
Reunion Is. de la	(F/Fr)	10.8975	6.3320	3.3843	4.8272
Romania	(Leu)	14.78	8.5880	4.5900	6.5470
Rwanda	(Fr)	132.6895	77.1002	41.2079	58.7771
St Christopher	(E Carr $)	4.6602	2.7078	1.4472	2.0643
St Helena	(£)	1.00	0.5810	0.3105	0.4429
St Lucia	(E Carr $)	4.6602	2.7078	1.4472	2.0643
St Pierre	(French Fr)	10.8975	6.3320	3.3843	4.8272
St Vincent	(E Carr $)	4.6602	2.7078	1.4472	2.0643
San Marino	(Italian Lira)	2366.00	1374.7821	734.7826	1048.0620
Sao Tome	(Dobra)	175.3017	101.8603	54.4415	77.6530
Saudi Arabia	(Riyal)	6.4715	3.7603	2.0097	2.8666
Senegal	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Seychelles	(Rupee)	9.4700	5.5026	2.9409	4.1949
Sierra Leone	(Leone)	70.20	40.7902	21.8012	31.0963
Singapore	($)	3.3493	1.9461	1.0401	1.4836
Solomon Is	($)	3.7438	2.1753	1.1626	1.6583
Somali Rep	(Shilling)	410.788	238.6914	127.5739	181.9658
South Africa	(Rand)	4.3883c	2.5498	1.3628	1.9438
		7.1160g	4.1348	2.2099	3.1521
Spain	(Peseta)	200.25	116.3567	62.1894	88.7043
Spanish Ports in N Africa	(Sp Peseta)	200.25	116.3567	62.1894	88.7043
Sri Lanka	(Rupee)	59.00	34.2823	18.3229	26.1351
Sudan Rep	(£)	7.7670	4.5130	2.4121	3.4405
Surinam	(Guilder)	3.0809	1.7901	0.9568	1.3647
Swaziland	(Lilangeni)	4.3883	2.5498	1.3628	1.9438
Sweden	(Krona)	10.9750	6.3771	3.4083	4.8615
Switzerland	(Fr)	2.7975	1.6255	0.8687	1.2392
Syria	(£)	36.2460	21.0610	11.2565	16.0558
Taiwan	($)	47.23	27.4433	14.6677	20.9213
Tanzania	(Shilling)	226.50	131.6095	70.3416	100.3322
Thailand	(Baht)	45.50	26.4381	14.1304	20.1550
Togo Rep	(CFA Fr)	544.87	316.6008	169.2142	241.3599
Tonga Is	(Pa Anga)	2.0853	1.2116	0.6476	0.9237
Trinidad/Tobago	($)	7.3355	4.2623	2.2781	3.2493
Tunisia	(Dinar)	1.6287	0.9463	0.5058	0.7214
Turkey	(Lira)	3435.07	1995.9732	1066.7919	1521.6256
Turks & Caicos	(US $)	1.7210	1	0.5344	0.7623
Tuvalu	(Australian $)	2.0853	1.2116	0.6476	0.9237
Uganda	(New Shilling)	344.8893	200.4005	107.1084	152.7748
UAE	(Dirham)	6.3370	3.6821	1.9680	2.8070
United Kingdom	(£)	1.00	0.5810	0.3105	0.4429
United States	(US $)	1.7210	1	0.5344	0.7623
Uruguay	(Peso)	863.00	501.4526	268.0124	382.2812
USSR	(Rouble)	1.0779	0.6263	0.3347	0.4774
Vanuatu	(Vatu)	179.00	104.0092	55.5900	79.2912
Vatican	(Lira)	2366.00	1374.7821	734.7826	1048.0620
Venezuela	(Bolivar)	61.29	35.6130	19.0341	27.1495
Vietnam	(Dong)	7767.00	4513.0737	2412.1118	3440.5315
Virgin Is-British	(US $)	1.7210	1	0.5344	0.7623
Virgin Is-US	(US $)	1.7210	1	0.5344	0.7623
Western Samoa	(Tala)	3.7535	2.1809	1.1656	1.6626
Yemen	(Rial)	16.82	9.7733	5.2236	7.4507
Yemen PDR	(Dinar)	0.5920	0.3439	0.1838	0.2622
Yugoslavia	(Dinar)	13658.80	7936.5485	4241.8633	6050.4097
Zaire Rep	(Zaire)	540.25	313.9163	167.7795	239.3133
Zambia	(Kwacha)	17.40	10.1104	5.4037	7.7076
Zimbabwe	($)	3.4350	1.9959	1.0667	1.5215

Special Drawing Rights March 22 1989 United Kingdom £0.756661 United States $1.30123 Germany West D Mark 2.43903 Japan Yen170.721 European Currency Unit Rates March 23 1989 United Kingdom £0.647239 United States $1.11681 Germany West D Mark 2.08274 Japan Yen146.023

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Thursday March 23,1989. *Devaluation of 19%.

UK COMPANY NEWS

Telegraph plans to lift Utd Newspapers stake

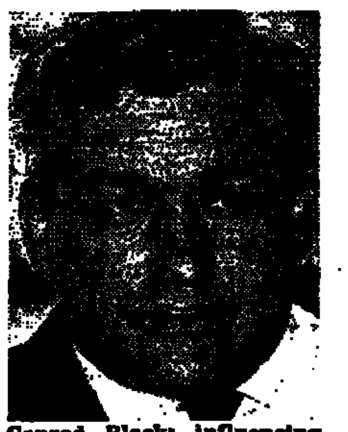
By Raymond Snoddy

HOLLINGER, the Canadian group controlled by Mr Conrad Black, which owns about 82 per cent of the Daily Telegraph, intends to increase its 1 per cent stake in United Newspapers, the newspaper group run by Lord Stevens.

Hollinger believes that the 1 per cent stake disclosed at the weekend is too small to make much sense. Although no precise final percentage has been set, a limit and the speed with which the stake is increased will depend on market conditions.

The Canadian group has made it clear that two basic aims lie behind the purchase. One is to guarantee the stability of the joint Docklands printing plant venture owned by the two companies.

More importantly, if a serious predator should strike at United, publishers of the Daily Express, Sunday Express and The Star, Mr Conrad Black, chairman of the Daily Telegraph company, wants to have a seat at the table and be able to influence the outcome.



Conrad Black: influencing future of Utd Newspapers

In 1987 Mr Black proposed a defensive merger to Lord Stevens that would have given the Telegraph a stake of around 30 per cent in the new company but this was rejected by the United chairman.

It is thought unlikely that a similar suggestion is under consideration now.

At the weekend Hollinger insisted: "We are friendly buyers. We have an excellent relationship with Lord Stevens and we wish it to remain so.

The company added: "This holding will not come as a surprise to Lord Stevens since Conrad Black recently informed him we would be likely buyers of United shares. Lord Stevens said we would be welcome as shareholders."

Sir James Goldsmith, the entrepreneur, has been among those rumoured to be interested in trying to take over United.

Meanwhile this week, Mr Max Hastings, editor of both the Daily and Sunday Telegraph, will be working out the dispositions of many of the staff following the decision to move towards seven-day production.

The move, generally unpopular with Telegraph journalists, has led to four resignations so far although two were already considering other job offers.

British go disco dancing in France

By Nikki Tait

WHITEGATE LEISURE, the recently-formed leisure company headed by Mr Nick Oppenheim and Mr James Naylor, yesterday announced the purchase of three discotheque businesses in France. Total consideration is approximately £2.6m.

Whitegate, whose shares are traded on the Third Market, is buying the Music Hall, St Jacques in Mulhouse for £695,000; Solitaires Club in Nancy, for £1.2m plus an additional £93,000 for stock and to discharge loans outstanding on the property; and the Grand Escurial in Nice.

In the last case, Whitegate is paying £560,000 for the fixtures and fittings, and buying a 50 per cent interest in the freehold property for around £80,000.

Whitegate is financing the three deals by the issue of an aggregate 7.65m new shares, plus paying small additional sums in cash. Some 2.27m shares issued in connection with the Mulhouse purchase, 3.37m for the Nancy deal, and 2m for the Nice business, have been conditionally placed at 27.5p each.

Bilston falls to £0.3m after increased costs

Bilston & Battersea Enamels finished 1988 with pre-tax profits of £314,000, against £559,000.

Earnings worked through at 4.8p (8.5p) and the total dividend is held at 4.2p with a final of 2.7p. The cost, however, is reduced as the directors are waiving 1.2p of their entitlement to the final.

Sales rose 9 per cent to £4.13m (£3.77m), which was insufficient to compensate for higher operating costs and overheads of the new factory.

In particular, pre-Christmas sales disappointed and the strong pound impeded the anticipated growth in exports, which represent over half the company's business.

Orders for the early part of 1989 were substantially ahead.

Transcontinental directors recommend Banner bid

By Clay Harris

INDEPENDENT DIRECTORS of Transcontinental Services Group have recommended a takeover bid from Banner Industries which values the Curaçao-based but London-listed investment company at £94.2m.

Banner, a US engineering group, raised its stake in Transcontinental to 56.5 per cent earlier this week, triggering the bid under a 1987 agreement between the two companies.

On behalf of Transcontinental's independent directors, Mr Daniel Lebard said that although the company had made substantial progress over the past year, future attractive investment opportunities which met its investment policy were likely to be limited.

The directors welcomed the opportunity for shareholders to realise their investments.

Banner is offering 256p in cash for each share, equal to 97 per cent of the unaudited fully-diluted net asset value on December 31 and 86.8 per cent of the estimated net asset value on February 28.

Banner is offering 118p for each warrant and will make "appropriate proposals in due course" to holders of convertible notes.

Storehouse

Mr Asher Edelman, the New York-based arbitrageur, yesterday said that he had recruited a "retailer partner", who could run Storehouse, the UK retail group, if he ever gained control of it.

But the US corporate raider declined to confirm or deny any specific name.

Mr Edelman has been agitating at Storehouse – the group built up by Sir Terence Conran and which takes in BhS, Richards Shops, Habitat and Heals – since late-1988.

He has acquired a stake of between 7 and 8 per cent in the British company.

Turning the focus on Europe

David Lascelles on Midland's re-think of its global operations

MIDLAND BANK is to stress its investment banking side as it prepares its strategy for the integrated European market of the 1990s.

According to Sir Kit McMahon, the chairman, Midland's recent expansion in Europe puts it in a position where it can claim to have the strongest pan-European wholesale banking presence of any British bank.

Midland's recent moves include the acquisition or absorption of branches belonging to the Hongkong and Shanghai Bank, its largest shareholder, and the purchase of a controlling interest in Euromobiliare, a leading Italian merchant bank.

These were added to Midland's existing operations, which include majority stakes in several other banks, Trinkaus & Burkhardt in Germany, Midland Bank SA in France and Handelsfinanz Midland Bank, Guyerzeller Bank and Samuel Montagu (Suisse) in Switzerland. All these banks are involved in investment banking activities, such as corporate finance, treasury operations, asset management and private banking.

In a review of Midland's European strategy in its latest annual report, Sir Kit writes: "Our policy, followed without exception in each country, is for our operations to be deeply embedded in the local markets: staffed almost entirely by local nationals, often locally quoted with local minority shareholders and often with their distinctive names and traditions."

Sir Kit McMahon, chairman: competition bound to increase

Midland, the third largest of the UK's clearers, has gone through a radical re-think of its international operations since its bloody retreat from the US market after the Crocker disaster in 1986. Under Sir Kit, Midland has teamed up with the Hongkong Bank and turned its focus to Europe, where it believes its strong local presence gives it a deeper penetration than many other foreign banks.

"We do think that 1992 means something," said Sir Kit. "We think customers will need more pan-European services. There is a sense in which there will be a single market, particularly in the wholesale markets."

Sir Kit said Midland had taken a fundamental decision not to buy "bricks and mortar" on the Continent because it believed that "acquiring branch networks is not a good way to make money." Growing competition in the conventional banking market was bound to increase, leading to pressure on margins. Instead Midland intended to concentrate on supplying services through its existing subsidiaries and branches, mainly to the corporate and institutional market.

However, Midland saw prospects for selling financial products to the personal market through arrangements with regional banks in Europe. These links might be cemented by small cross-shareholdings. The emphasis would be on liability products (deposits and savings) rather than on loans. Midland would also tap the retail and executive market through Thomas Cook, its travel subsidiary.

Midland has already reorganised its wholesale banking side into a single division including international corporate banking and treasury, as well as Samuel Montagu, its merchant banking subsidiary. From the standpoint of management, it is unusual among the clearing banks in having non-British executives in charge of its main divisions, other than UK banking. They include a Dutchman, a German and an Italian.

Sir Kit said Midland's biggest weak spot was in Spain, where it only has a branch in Madrid. If a suitable acquisition came up, Midland would consider it, he said.

Mr Rodolfo Bogni, the head of international investment banking who chairs Midland's 1992 steering committee, said he expects the European market to make "a material contribution" to the Midland group earnings. But he said that development of these operations would also point to the hidden value in Midland's existing operations on the continent.

Midland's approach to the integrated market is more selective than that enunciated by other clearers. Barclays has said it intends to build on its European branch network to provide commercial banking services, particularly trade finance.

It will also supply cross-border investment banking services and possibly retail financial services through Barclaycard. National Westminster is also building up a branch network on the continent, and is seeking partners to market selected products.

Duggan takes over the reins at Conrad

By Clay Harris

MR JOHN Duggan, former chief executive of Mr Tony Clegg's Mountleigh property group, has taken over as chief executive and managing director of Conrad Holdings, the property developer and maker of television scenery and exhibition stands in which he recently bought a 29.4 per cent stake.

Mr Duggan said he intended to concentrate his UK property activities in Conrad, which would be involved in investment, development and trading.

All of Conrad's directors except Mr Neil Phoenix, chairman, and Mr Derek Hayes, have resigned from the board. They will follow suit in May, although they will retain their shareholdings totalling 15.2 per cent. Three of the resigning directors will remain with Conrad in executive positions.

Silkolene

Silkolene Lubricants, the petroleum products manufacturer and distributor, lift taxable profits 23 per cent to £2.64m in 1988.

Turnover fell slightly from £23.61m to £22.52m. Earnings per share were 39p (31.7p), and the proposed final dividend is lifted 2p to 7p for a 12p (9p) final.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Compass Group (Section: Leisure)

Europa Minerals (Mines-Misc.)

Lyon & Lyon (Motors-Garages)

NFC Var. Vtg. (Industrials)

Willoughby's Cons. Prf. (Mines-Central African)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Castle Comm, Colroy Homes, Melville, Murray Electronics.

Finals- Bennett & Fountain, British Syphon, Derwent Valley, Friendly Estates, Lopex, Marley, Miller (Stanley), Monument Oil & Gas, Scottish Heritable, Singer & Friedlander, Sintrom, Technology Project, Willis Faber.

FUTURE DATES

Interims-

British Empire Secs	Apr. 21
Highland Distilleries	Apr. 10
TR Australia	Apr. 19
Ulster TV	Apr. 21

Finals-

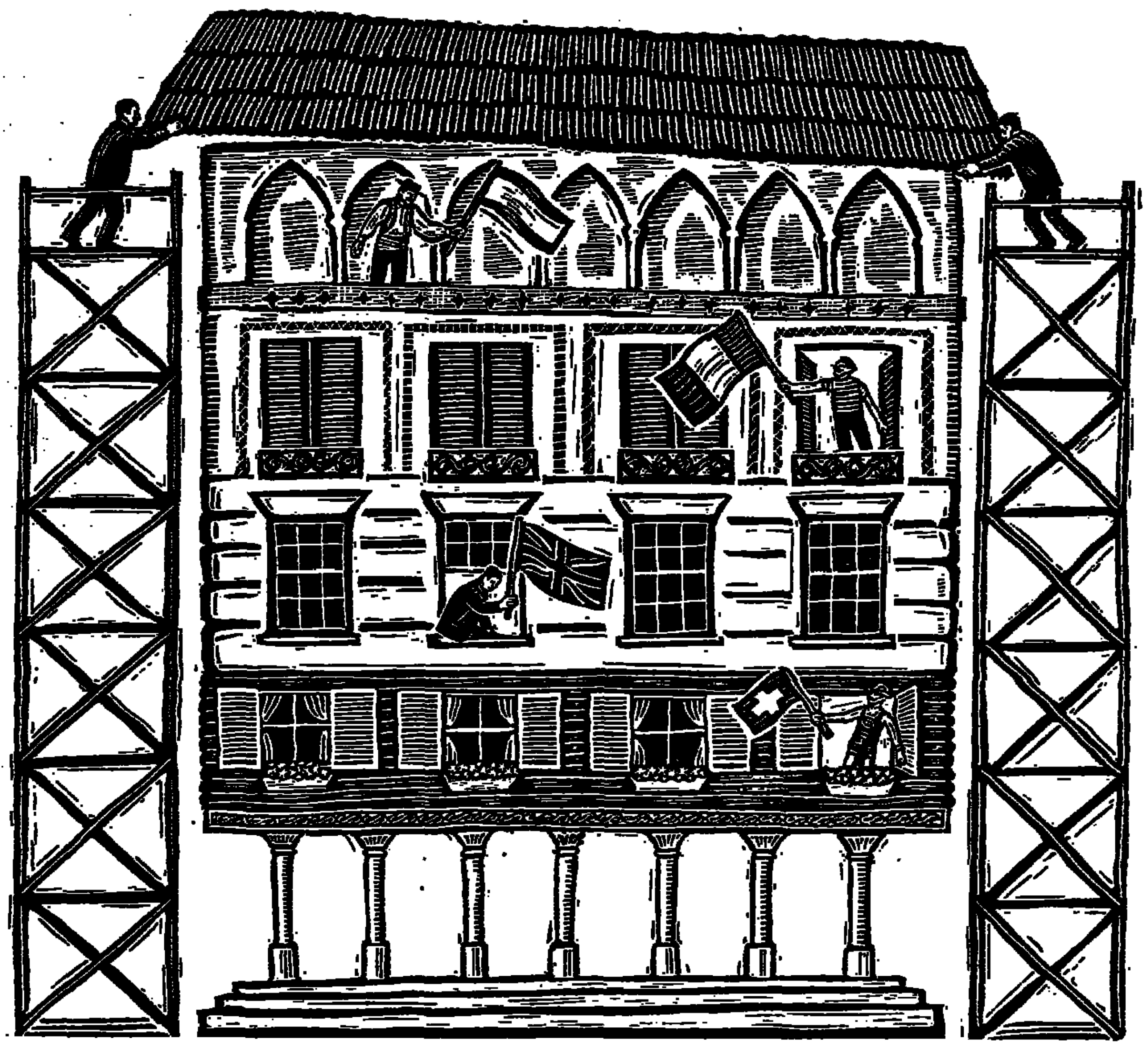
Acorn Computer	Apr. 12
Avdel	Mar. 30
Bank of Scotland	Apr. 26
Silentnight	Apr. 4

FINANCIAL TIMES STOCK INDICES

	Mar 23	Mar 22	Mar 21	Mar 20	Mar 17	Mar. 16	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.10	88.19	88.10	87.98	88.29	88.61	89.29	86.65	127.4	49.18
Fixed Interest	98.79	98.84	98.83	99.20	99.23	99.44	99.59	95.93	105.4	50.53
Ordinary	1698.4	1690.5	1709.8	1690.9	1705.5	1740.1	1761.1	1447.8	1926.2	49.4
Gold Mines	193.8	194.3	194.7	194.8	193.0	194.2	194.8	154.7	734.7	43.5
FT-Act All Share	1068.68	1064.86	1075.12	1067.0	1076.71	1095.79	1101.68	921.22	1238.57	61.92
FT-SE 100	2057.0	2048.6	2072.2	2053.6	2073.1	2112.6	2125.4	1782.8	2443.4	986.9

FINANCIAL TIMES SURVEY

The increasing globalisation of business has forced management educators to redefine their roles. The accent now is on training executives who can operate internationally and across a diversity of corporate functions, writes Michael Skapinker



MANAGEMENT development & education

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Cover illustration: John Batten

Multi-purpose managers

WHAT IS it that managers need to know? And can it be taught?

These questions underlie a variety of current efforts to improve the quality of management education and development in Europe. In Britain, the Management Charter Initiative and the Training Agency are attempting to define the various components that go to make up a competent manager.

Some business schools both in the UK and on the continent are re-examining the ways in which they have traditionally taught their students. Is it enough to teach them the traditional managerial disciplines, like accounting and marketing, and then tack on an extra subject called human resources? Won't management in the 1990s be all about dealing with human resources, otherwise known as people?

Companies, too, are looking at the money they spend on management development. Is it worth sending young managers away for a year or two to get Master of Business Administration degrees? Is there not a danger that they might be snapped up by competitors? And will the subjects that they are taught be relevant to the needs of the business?

Dr Juan Rada, director general of the International Management Institute in Geneva, accepts that many of the tools of management can be taught. "You can teach managers accounting," he says. "You cannot, however, teach them how to manage people. And managing people will, in the future, be one of the most critical things that managers need to learn. The 1990s is going to be people, people, people. And how to manage them is an extremely difficult thing to teach. That is something they have to learn for themselves. All you can do is create the conditions which make such learning possible."

Managers need to regard learning as a life-long activity, rather than something that takes place only at university or at business school, he says. Educational institutions can never teach them everything they need to know. Apart from anything else, experienced managers and management educators do not necessarily know anything more about the organisations that junior managers will inherit than those junior managers themselves.

"Our MBAs are about 30 years old now," Dr Rada says. "By 2000 they will be 40. They will have significant corporate responsibilities. We don't know what sort of world they will confront. They will have to be taught less and learn more."

But how do they learn more? The Association of Management Education and Development, an organisation of academics, consultants and company management development executives, believes that managers could best be helped to learn through "learning contracts". These would be negotiated between managers and their superiors and would outline learning experiences which, apart from being of benefit to the individual manager would also further the strategic aims of the company.

The contract might provide for the manager to attend a course. Or the manager and his or her company might consider other strategies for learning, such as secondment to another part of the group, or even to another company or, perhaps, to a voluntary organisation.

Some companies have come up with specific strategies to help their staff to learn. The Institute of Personnel Management, in a book entitled *Continuous Development*, described the learning strategies of Idom, a Spanish engineering consultancy which decided that its staff needed to acquire an increased understanding of other organisations and of the world outside.

To do this, Idom began to participate in consortia with other companies, some from outside Spain. One of the conditions of its participation was that other members of the consortium should help Idom staff acquire new areas of expertise.

Idom has also encouraged its staff to write case studies based on the company's work. These draw on the employee's own area of expertise. They are then discussed with staff from other parts of the company at a seminar. Four of these case studies are now used by a Spanish business school, the Instituto de Estudios Superiores de la Empresa in Barcelona.

Other companies have made an attempt to map out all the competences that a manager might need to develop. Cadbury Schweppes, the British soft drinks and confectionary group, has drawn up a list of 50 competences divided into six groups: strategy, drive, influence, analysis, implementation and personal factors.

The strategy competence includes the ability to think critically and to be aware of the economic, social and political environment in which the group operates. Influence encompasses the ability to communicate both verbally and in writing. The personal factor competence includes the willingness to take unpopular decisions.

Cadbury Schweppes does not believe that all managers need to have all these competences. It accepts that some people will be better at some things than others.

Its approach is somewhat different to that being adopted by the Management Charter Initiative. While Cadbury Schweppes does not believe that all managers need to have the same set of competences, the Management Charter Initiative, along with the Training Agency, is attempting to come up with a comprehensive list of competences required by all managers.

The Management Charter Initiative was set up last year in response to the Handy and Constable reports. The reports, which were published in 1987, painted a depressing picture of the state of management education in Britain. They said that British managers were less well educated than their counterparts in other industrial countries and called for radical action to remedy the situation.

Those working on the Management Charter Initiative believe that their list of competences will enable managers to learn skills of more relevance to their jobs than the offerings of a conventional management course.

The conventional management course, they say, offers courses based on the traditional functions of a company, such as marketing, finance and production. The Management Charter Initiative believes that these courses no longer reflect the way in which managers really operate. They need to be able to operate across these functional boundaries. People in finance need to be able to understand marketing and vice-versa.

This view is now widely accepted. Mr Tex Smiley of IMI has called this form of management BBM – blurred boundary management. Like the Management Charter Initiative, he believes it is no longer enough to be simply a good finance manager or a good personnel manager. Managers need to have an overview of the entire business, as well as the environment in which it operates.

They also have to be able to operate across national frontiers and in multinational teams. It is no longer possible to leave each national subsidiary of a multinational company to get on with running the business in its own country. Managers in one country have to be aware of what their counterparts in other parts of the world are up to. Promising developments in one country might well be transferable to a different market. The increasing globalisation of business requires managers who feel comfortable operating internationally.

Critics of the Management Charter Initiative wonder, however, whether its work will really produce blurred boundary managers. A consultative exercise carried out by the Initiative itself found that, while many British managers supported the research into competences, they were worried about the use that might be made of the results. In particular, they were concerned about plans to use the competences to create professional management qualifications.

The Initiative's report on the consultation exercise said that many employers felt that the establishment of professional qualifications would "reduce flexibility and discourage innovation at a time when ability to adapt and change is paramount.

"Formal qualifications tend to make the holder resistant to change. It was argued that it was more important for individual managers to take responsibility for their own development through a personal development plan agreed with their employer."

This seems remarkably similar to Dr Rada's call for an environment in which managers can be encouraged to learn rather than simply be taught.

Michael Skapinker on the new internationalism of Europe's business schools

On course for tougher competition

NEXT MONTH 20 Soviet managers will arrive at London Business School for a three week training course. The managers work in a cross-section of Soviet companies from food manufacturers to small science-based co-operatives to satellite and communications services.

The visit is something of a coup for LBS. All of Europe's major business schools dream of a day when their expertise will be just as relevant to managers in the communist bloc as it is to those in Western Europe.

The managers who are due to visit LBS are receiving financial assistance from, among others, the Department of Trade and Industry and the British Council. In general, however, visitors from the eastern bloc are likely to be few in number simply because of an absence of hard currency to pay for their courses.

Western Europe's business schools have, in any event, got plenty to keep them busy in their own back yard. The question of how to teach eastern bloc managers western business skills is a subject about which business school academics might speculate from time to time. Of more immediate concern is how to produce managers capable of operating across the national borders of Western Europe.

Whatever form the single European market takes after 1992, the demand for managers with experience and understanding of different cultures can only increase. Sir John Harvey-Jones, the former chairman of ICI, the British chemicals group, argues that recruiting such managers is one of the most useful steps that companies can take in preparing for 1992.

Schools like Insead in Fontainebleau, the International Management Institute in Geneva and Imede in Lausanne all boast that they already turn out managers of this sort: their staff and student body are a rich mixture of European nationals, together with a smattering of North Americans and Asians. From that point of view, at least, they argue, 1992 represents no special challenge to them.

Professor Philippe Naert, Insead's co-dean, says that his school has adapted its research programme to take account of 1992, looking into such issues as the distribution of goods across the continent. "But as far as the cultural preparation of our participants goes, we haven't had to change anything," he says.

IMEDE complex at Lausanne

All of which is not to suggest that the European business school sector will remain static over the next few years. IMI and Imede are merging to form what they hope will be Europe's answer to Harvard Business School. The new school will have a faculty of about 40 and two Master of Business Administration classes of 65 students each, as well as shorter courses for more experienced managers.

The merger will be completed by the beginning of next year. The process is unlikely to be an easy one, however. Both schools have had to compromise. The main campus will be Imede's premises in Lausanne. In return, the director general of the new school will be IMI's head, Dr Juan Rada.

Although some talk of the new school as Europe's answer to Harvard, the institution to which it will really pose a challenge will be Insead. Insead and the two Swiss-based schools have much in common. Although they all have their homes in French-speaking areas of Europe, their language of instruction is English. All three schools take an international approach to management issues.

Professor Naert says that he welcomes the merger of IMI and Imede on the grounds that competition can only be good from schools like his own. His confidence is probably justified, if only because there appear to be more than enough students to go around. Over the past year, Insead has expanded its MBA programme to an intake of 420 students — an increase of 50 per cent. Despite the rise in places available, however, Insead can still admit only 15 per cent of those who apply

Like their counterparts in the UK, the continental schools do not find it easy to attract staff. To deal with its large influx of students, Insead has recruited 23 new faculty members. It expects the figure to rise to 30 by the end of this academic year, bringing the total number of staff to around 75. Professor Naert expects the number of staff to rise to 85 by 1990. He admits, however, that many of the new recruits are recent graduates from doctoral programmes, mainly in the US. Most are European nationals, although the school has also managed to attract Americans, Indians and Koreans.

Professor Naert regards the appointment of Asian faculty members as being particularly significant. Becoming familiar with Asian management issues will be as important for European schools as acquiring greater knowledge of developments in North America and Eastern Europe, he says.

"Another challenge for the future will be the environment," he says. "Most business schools have only paid lip service to it up to now, but we're beginning to see that it's of real concern to the business community."

Juan Rada

He does not envisage the environment becoming a separate course on MBA programmes. Instead, he says, courses on product development will, for example, look at ways of coming up with products which do not harm the environment. Courses on marketing will have to take into account consumers' growing demand for environmentally acceptable products. "I see the environment becoming an integral part of existing courses rather than being a separate course," he says.

Another challenge for the continental schools is increasing the amount of research that they do. Traditionally, the schools have tended to use case studies and other materials from the United States. All three of the major continental schools accept that they have not done nearly as much to improve the quality and quantity of their research.

Insead's Professor Naert, however, says that schools like his "are beginning to have a more respectable record. We still have a long way to go, but we're much better than we were a few years ago. We don't have to be as ashamed about it as we used to be."

PROFILE: GEORGE BAIN

Barefoot in the Park

PROFESSOR George Bain does not yet know his way around London Business School. "I'm still an innocent abroad," he says, as he tries to find a room in which we can sit and talk.

He still has time to get to know LBS's Regent's Park premises. Although he has already stepped down from his previous job as chairman of the Warwick business school, he only takes over as principal of LBS in August.

Between now and then he will be spending some time at LBS and visiting business schools in the US and on the continent as part of his preparation for a job that many view as one of the toughest in British management education.

LBS's staff are regarded as a talented but difficult group of people. While the school's research record is the envy of other European business schools, LBS's own staff admit that they lack a sense of direction and common purpose.

George Bain

"I get the distinct feeling at London Business School that people feel things could be better. I'm hopeful that as well as being individualists, people will see the need for teamwork"

Professor Bain, who turned 50 last month, says, however, that he does not intend to bang heads together at LBS.

"Yes, it's true that many of the LBS staff are individualists, but that happens to be the characteristic of good academics. I don't want to stamp that out. The trick is how you give them enough room to express that individualism while persuading them to recognise the collective good," he says.

"I get the distinct feeling at LBS that people feel things could be better, that there's a need for change. I'm hopeful that as well as being individualists, people will see the need for teamwork.

"I don't think you can come into LBS and start ramming through changes unless they're broadly supported. My style will be to get a broadly-based consensus behind the things that I want to change."

Professor Bain is no stranger to the process of conciliation. His academic speciality is industrial relations and he has substantial experience as an arbitrator and mediator in industrial disputes.

He was born in Winnipeg, Canada, and came to Britain in 1963 to take up a Commonwealth Scholarship and fellowship at Oxford. He found it difficult to adjust at first. Gradually, however, his affection for Britain grew and he decided to stay. He now holds both Canadian and British nationality.

Although his new job comes with a Nash house, Professor Bain intends to hold onto his home in Leamington Spa. "In as much as I've got a home now, the Midlands is my home," he says.

All the same, he is excited by the prospect of working in London. He believes that LBS's location is one of the best things it has going for it. Apart from being a political capital, "London is a financial capital, it's a commercial capital." International captains of industry pass through London routinely.

He also believes that being in London will help LBS to attract staff from other countries. "Many people would rather live in London than in Geneva, Lausanne or even Fontainebleau," he says, referring to the sites of some of LBS's continental rivals. "London is a cosmopolitan city and that's got to be a tremendous asset. There must be numerous people in Europe who would like to spend part of their career in London."

Deciding just how international LBS should become has been one of the school's perennial problems. Professor Bain believes that while attracting faculty members from other countries is important for the future of LBS, the school should not lose sight of its British roots. He concedes that maintaining the balance will be difficult.

"I think LBS has a very difficult row to hoe," he says. "I don't want to be critical in any way of Insead, but it doesn't pretend to be a French school. I don't think for a moment that LBS could ignore Britain. LBS has got to have strong local roots, but with an international orientation. That's more difficult, but it's not impossible."

One of the other differences between LBS and continental schools like Insead, IMI and Imede is that the London Masters of Business Administration course takes two years to complete. The MBA course at the other three schools takes only a year, as do the courses at most other British schools. Many British students at schools on the continent say that they did not go to LBS because they could not afford to be away from work for two years.

Professor Bain says, however, that he is not considering any reduction in the length of the London MBA. "There is undoubtedly a market for a two year MBA. People are queueing up to get into LBS. It's not everybody's cup of tea, but it does have a number of advantages. It's compatible with the top North American schools, so we can have exchange programmes. A lot of our students are also at a stage in their careers where they are changing direction. You can't really change direction in a year."

Michael Skapinker

Companies are increasingly turning to consultants to tailor their training needs

Independents on cue to reap rewards

INDEPENDENT management trainers have probably benefited more from the increased resources devoted to management development that any other sector of the management education field.

As organisations have expanded into different markets, they have become more complex and multi-faceted in their activities. Their training needs have become more sophisticated and firm-specific. Training and development programmes are linked far more closely to mainstream business objectives, requiring specialist skills and knowledge that are difficult to recruit in-house and a level of tailoring which cannot be provided by open courses in traditional business centres.

Most groups providing training therefore work far more closely with organisations in identifying their requirements. "Traditionally, training providers have been seen as simple deliverers of standard 'skills' courses," says Ms Jean Lammiman, a director of the London-based Human Resource Partnership.

"Now they are increasingly working alongside organisations at a strategic level, creating new ways of achieving management education. The learning is specifically designed to integrate with workplace needs with a clear view of achieving corporate objectives and the organisational shifts these require."

A sign of the sustained profitability of training provision is that, for the first time, training

Jean Lammiman

consultancies are being seen as an attractive proposition by venture capitalists. The increased demand for trainers greatly exceeds the supply. Most practitioners with any talent are keen to spend at least part of their time in lucrative consultancy activities and are reluctant to tie themselves to in-house personnel or training departments.

Players in the market are therefore diverse. Training and development features heavily in the human resource practices of major management consultants. Leading firms such as PA, Price Waterhouse, Peat Marwick and Hays all have sizeable teams of consultants, specialising in tailored training directly linked to company programmes.

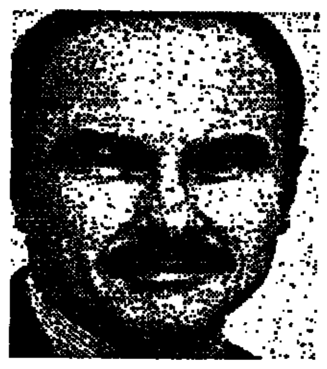
A mass of smaller firms either specialise exclusively in training services or devote considerable resources to this market. They include established firms such as Wyatt, Harbridge, ODI, Interactive Skills and Training & Development Approaches; small partnerships of previously independent consultants such as the Human Resource Partnership and the Management Training Partnership and niche players specialise in particular areas such as team building, strategic competence, IT skills' training, marketing, financial management, people management, psychological assessment and outdoor training or other forms of action learning.

Although demand for technical skills training remains high, there has been a growing need for training in "softer areas", such as inter-personnel skills, people management, strategic competence and planning and team building.

Traditional management centres have also started to enter the market. The best example is Ashridge Management Development Services, created out of a variety of specialist activities undertaken by Ashridge Management College. Between 1986 and 1988, its client base more than quadrupled and it has an annual turnover of just under £1m.

Business schools have also proved a breeding ground for faculty members who engage in widespread independent consultancy to supplement their income.

"In this market, clients are often more loyal to the consultant than to the organisation," says Mr Tony Jackson, who balances independent work with his responsibilities as a



Alan Warner

senior lecturer at Cranfield School of Management.

"They get comfortable with the person because we talk the same language and understand the business. Clients often move with the consultant — something which enables the independent player to operate quite happily alongside the big firms."

The circumstances in which organisations turn to external consultants depend largely on the size of their in-house resource. Marks & Spencer, for example, has a large in-house facility and only buys in help when it lacks or cannot find internal expertise.

"Our relationship with training consultancies is very similar to that which we adopt with our other suppliers," says Mr Max Price, assistant manager, training and development. "We like to have a clear picture of what they offer. We like to "try the merchandise before we buy it," often by getting them to undertake a pilot programme. Once accepted, we do everything we can to support and develop their services and encourage them to use our name as a reference."

In contrast, Amersham International has adopted a conscious policy of contracting out its training. "We took a decision to do away with internal trainers in the personnel function," says Mr Tony Waring, group personnel manager, development and resourcing. "Although we retain technical trainers on an operational level, we wanted to focus our time in personnel more effectively."

Like many other areas of personnel management, this means that internal training managers are increasingly buyers of services for their line departments, rather than practitioners in their own right. "I often act as a consultant to my own organisation," says Mr Rayno Maget, head of group training and development at Kleinwort Benson. "I have my own internal clients who pay

Training programmes are now linked far more closely to mainstream business objectives

the bill and ultimately call the tune."

Mr Maget emphasises that the transformation of training from a purely personnel concern to a boardroom issue means it is now regarded as a true investment and therefore subject to rigorous quality and cost control.

Professional standards among leading trainer providers have had to be upgraded and are far higher than 10 or even five years ago. "In the final analysis, it is professionalism rather than resources that separate the winners from the losers," says Mr Alan Warner, partner at the Management Training Partnership. "The ability of consultants to listen to their clients' needs, adapt their material and gear their style of delivery to managers' preferences will pick them out, whether they work for a large or small firm."

Michel Syrett

Michael Dixon on how managers operate

Intuitive feelings

"I WORK with men — men who tend to regard the use of intuition as suspect, female and unscientific," said the only woman among 70 top US executives questioned not long ago by Professor Weston Agor of Texas University's business school. She added that, while often relying on intuition in her work, she took care to hide the fact from her colleagues.

"If I revealed my 'secret' I'd have an even harder time persuading them to accept my suggestions. They wouldn't regard my ideas or decisions as being properly rational. Yet they can justify the worst kind of screw-ups with a chart and a computer print-out."

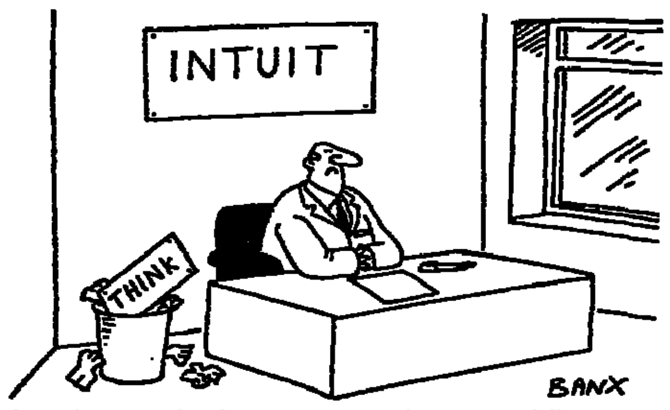
What the woman executive did not know, however, was that most of the 69 male company chiefs the professor had studied were very much like her in their attitudes. All but one of them also admitted frequently using intuition in reaching decisions, and the majority were equally careful to keep it secret out of fear of destroying their credibility in the company.

The trouble is that in so upholding their credibility they were probably undermining their organisations' potential for innovation. For it is well known that what company chiefs seem to do — regardless of whether they do it in reality — has a powerful influence in determining what is and is not regarded as an acceptable way of getting things done in the ranks below.

Hence the myth that top management operates entirely by scientifically respectable methods tends to congeal into the dogma that the same must apply at all other levels. And there is a good deal of research evidence that the result inhibits effective innovation.

Take for instance the study made by the Geneva-based International Management Institute four years ago. The IMI researchers delved into the history of 73 successful innovations achieved in 39 companies in a variety of fields in Austria, France, Germany and Scandinavia. A particular aim was to test the efficacy of the respectable approach to innovation conventionally recommended by business school courses, which is usually called the "classical planning" method.

It starts with careful analysis of markets to identify openings for new developments. Then the work of creating the products and processes to fill the openings is allocated by senior management to people believed suitably qualified, together with the money and so on which the project can be rationally thought to justify.



The study found that although about one eighth of the 73 successful developments had been produced by classical planning, the great majority had been generated in a far less tidy way. They had begun with someone having an idea for a new product or process and only then going on to think up potential markets for it and so on. What enabled the

The IMI is hoping to make intuition respectable by getting executives to admit they use it

originators to have the idea in the first place, however, remained largely mysterious.

The name the researchers gave it was "vision". But since it evidently consisted of the mental ability to piece together various notions which had evidently never been combined in quite the same way before, they might just as well called it "intuition" — the very process apt to be discouraged throughout whole organisations if their chiefs deliberately conceal that they rely on it.

Having recognised the key role intuition plays in the running of companies, the IMI has taken its work on the process farther. It is now mounting a large-scale programme with the aim of not only making intuition managerially respectable by getting top executives to admit they use it, but of finding ways to enable managers of all ranks to use it to better effect.

The programme consists of a survey of 20,000 chiefs of organisations together with a complex of experimental and "action" research projects involving companies as well as academic and other organisations in eight different parts of the world.

They are West and East Europe, the US, Latin America, the Soviet Union, Japan, the five countries comprising the Association of South East Asian Nations, and India which has provided the programme with its leader.

He is Dr Jagdish Parikh, a prominent businessman with an apparently limitless supply of energy. Besides being an MBA graduate of Harvard Business School, he has a lifelong training in the system of applied philosophy which has been studying and sharpening human intuition for over 2,000 years — yoga.

"In every one of the countries where we've told managers about the programme, we've received a highly encouraging response," he says. "Over 60 senior executives have offered to put company resources into helping the work in various ways.

"What's surprised us as well as particularly pleased us is that most of those we've approached have not just admitted relying on intuition, but are keen to learn to use it more effectively. Many said that whereas they used to need it because there wasn't enough information to guide them, they now need it still more because there's far too much."

Business and educational cultures are merging in schools, writes David Thomas

Mission with formidable tasks ahead

MR DAVID Styan has been much in demand since he was appointed to lead the Government's School Management Task Force in November. "We've been deluged by people who would like to get involved. We've been presented with a vast number of ideas," he says.

This response is hardly surprising, since Mr Styan's task force is tackling one of the few territories still unconquered by Britain's management training industry: the school system.

And the territory is large. In Mr Styan's view, about 55,000 heads and their deputies in England and Wales, plus a similar number of other senior staff such as departmental heads and education administrators, could benefit from sustained management training. Fewer than a tenth have done so, but public funds of £24m are on tap over the next three years to wean schools onto the delights of management training.

Mr Styan, director of the Warrington-based North West Educational Management Centre, has been putting the finishing touches to his interim report, due on the desk of Mr Kenneth Baker, Education Secretary, by the end of this month.

The report will sift through options for a programme to take management education in schools onto a new level. Mr Styan hopes agreement can be reached on an action plan by the autumn.

The timing of this activity is no coincidence. The myriad provisions of the 1988 Education Reform Act, the most important educational shake-up for 40 years, are to be phased in over the next few years, requiring a huge exercise in the management of change by heads and their senior staff.

Moreover, dissatisfaction has been mounting with the gifted amateur approach to running schools – organisations whose annual budgets often outstrip those of many local businesses. Only this month, for example, the official inquiry into discipline in schools, chaired by Lord Elton, pointed to the key role of headteachers in combatting widespread classroom disruption: it called for management training for heads which would "pay particular attention to team building and the development of a whole school approach to promoting good behaviour."

The 1988 Education Act provides strong impetus for more management training for school heads

The 1988 Act's provisions on local management of schools provide the strongest impetus for more management training. Education authorities in England and Wales have until this September to come up with proposals for the delegation of decisions to schools in their areas, with the new arrangements to be phased in by April 1993.

Responsibility for the great bulk of a school's spending, covering staff, books and equipment, and day-to-day running costs, including rates and rents, will be handed over to schools.

Governing bodies and heads will have real power over hiring and firing of staff, and will have to decide whether to put cleaning, meals and ground maintenance out to competitive tendering.

Moreover, heads will have a clear incentive to market their wares to parents and prospective parents. This is because at least three-quarters of their income will be tied to pupil numbers and parents are being given new rights to insist on the school of their choice – a deliberate attempt by ministers to mimic market forces.

Yet local management of schools is only the tip of the iceberg. Mr Styan has mapped out four other areas in which more effective management could help schools with changes in the pipeline:

■ Appraisal and staff development. The Government is to insist that all education authorities phase in appraisal schemes covering all teachers in the next few years. Mr Baker has said these schemes will pay close attention to classroom management.

■ National curriculum. Maths, science and English will be taught to some pupils in England and Wales according to the dictates of the new national curriculum from this September. Phasing in of the full curriculum will continue throughout the 1990s, requiring a vast commitment to staff training.

■ Testing. Simultaneously, schools will have to overhaul their procedures for evaluating children to meet the 1988 Act's requirement that all pupils are tested at ages 7, 11, 14 and 16.

■ Governors and parents. New powers given to governors by the Government and the greater stress on parental choice mean headteachers will have to re-double their efforts to communicate with governors and teachers.

Some surprise candidates have already emerged to fill the training gap in schools. One is the 29,000-strong National Association of Head Teachers, the largest union for heads and their deputies. It has set up its own company, NAHT Management Development Services, to tap into the potentially lucrative market.

Mr David Hart, the association's general secretary, sees potential in four areas for delivering management training to his members.

First, consultants could be employed by education authorities to hold training sessions for local groups of heads or for the senior staff of a school.

Second, heads and other senior staff could attend short courses of a day or weekend at, say, their local further education college or with a private sector training provider.

Third, longer courses, perhaps in blocks of five days, could be laid on for educators.

Fourth, and potentially most novel, a new "MBA (education)" degree could be established to encourage managerial excellence in schools. Mr Hart says a couple of universities are keen to launch such a course.

Mr Styan has been mulling over a string of similar initiatives, ranging from staff colleges for educational high fliers to a new accreditation scheme whereby educators could get some formal recognition for management training.

The biggest difficulty at present, Mr Styan explains, is finding enough experienced trainers. The ideal candidate would have a twin background in management training and in education, but typically the person who understands about management knows next to nothing about schools and vice versa.

Mr Styan believes that in time a lot of private sector trainers will be drawn in, but first they will have to go through the time consuming exercise of learning about education.

He cites as an example Coopers & Lybrand, the consultancy firm, which has been expanding its expertise in schools from a base of consultancy work on the local management initiative.

Meanwhile, large companies such as British Petroleum and management centres such as the Bromley-based Sundridge Park have been opening up their training courses to heads and other teachers.

The business and educational cultures, for so long at loggerheads in Britain, are coming together.

High Street stores are supporting new MBAs

Designer degrees

THREE YEARS ago, Mr Brian Chandler, of accountants and management consultants Arthur Young, asked a major UK business school if they could design their Master of Business Administration degree to suit the needs of his organisation.

They declined to do so. "You must understand," they told *him*, "*that the MBA is an academic* qualification." The school insisted that candidates from Arthur Young would have to complete all its accountancy and finance courses, despite the fact that many of them already had a background in finance and accounting.

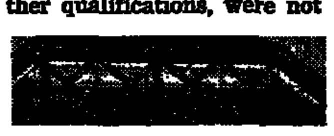
Eventually Arthur Young did find a business school that was prepared to provide a course to suit its own needs: the International Management *Centre from Buckingham.*

Since then, the number of business schools who have been prepared to offer specially tailored courses has increased. Last year, for example, the

University of Warwick Business School announced a new MBA course, set up in conjunction with British Petroleum, Coopers and Lybrand, National Westminster Bank and the Metropolitan Police.

Those institutions which are now offering specially tailored MBAs stress that they are not trying to replace the more tra*ditional courses. "There will* always be scope for the one or two year, full time residential MBA," says Professor John Dawson of the University of Stirling. "There will always be people who want to take a year or two off and spend them in a university environment."

Stirling realised, however, that there were potential MBA candidates who did not want to leave their jobs to follow a full-time academic course. Equally, there were many *employers who, while keen to* see their employees gain further qualifications, were not



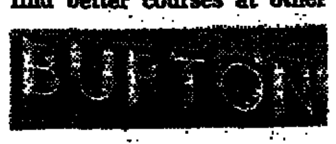
happy about giving them a year or two off.

To design a course to suit these organisations, Stirling set up a steering committee consisting of four major UK *retailers: Marks and Spencer,* Tesco, W.H.Smith and the Burton Group. The result was the launch last year of an MBA in retail and wholesaling. The course is also open to other companies.

Students on the course spend only three long weekends at Stirling. Staff from the university also occasionally visit them. For the rest of the time participants work on their own with the aid of written and taped material.

Apart from the traditional management course subjects, students on the MBA study topics such as stock control, retailing and wholesaling in other countries, retail location and design, and buying.

City University Business School has come up with an even more radical concept: students on its company programme can study wherever they like. "We're running a supermarket," says *Professor* Hugh Murray. If students can find better courses at other



institutions, they are welcome to attend them.

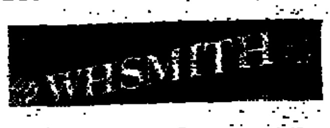
This particular MBA course is run by a consortium consisting of the business school, J.Sainsbury, American Express, the Stock Exchange and the Training Agency (formerly the Manpower Services Commission.)

The City MBA is based on the view that it is not enough to teach managers a set of core *subjects in the way that* universities and traditional business schools do. Managers also need to learn how to apply that knowledge and how to develop themselves.

Each participant on the course has two tutors: an in-company 'coach' and an external academic educator. Participants attend a two-day assessment centre to establish their business knowledge, skill and their level of self-awareness.

On the basis of this assessment, the coach and educator draw up, with the participant, a personalised learning programme, including the courses *that the manager needs to* follow. The three also draw up work assignments for the participant, which are carried out at work. If during the work assignment, the participant has to call on experts in a particular area, the coach finds an in-company expert and the educator comes up with an academic one.

"What we're trying to do, quite simply, is to customise," Professor Murray says. "We



customise not only to meet the needs of the company, but of *individuals* too. We try to cover the areas of knowledge that are usually covered in an MBA. But knowledge is not enough. To be an effective manager, you need not only to have the knowledge, but to able to turn it into reality. There are these three elements: knowledge, skill and self-development. The problem with traditional MBAs is they concentrate only on knowledge."

Michael Skapinker

Secondment is now seen as an effective means of progression

Loan scheme with credit

AT A TIME when organisations are casting around for more effective ways of giving their senior managers a broader perspective of business, secondment is beginning to be seen in a fresher light.

Forward-looking financial, retailing and industrial companies, together with a growing number of key Government departments, now see the temporary full-time or part-time loan of an employee to another organisation as an extremely effective means of development of key professional staff.

Their approach contrasts markedly with the traditional UK perception of secondment as a one-sided gesture by community-minded employers that often serves as a convenient means of easing older employees into retirement and (at its most cynical) off-loading surplus or unwanted staff.

The new philosophy is most vividly illustrated by the launch this month of the Government's Bridge Programme, which aims to create closer links between industry and government by seconding senior civil servants to commercial companies on short-term contracts, joint training programmes or as non-executive directors.

Changing attitudes to secondment are partly due to the more sophisticated management development needs of both industry and the public sector.

Many organisations find secondment a useful means of providing key managers with a broader outlook while maintaining career continuity with the parent company. The Prudential Corporation is a good example. Although their original use of secondment was motivated by the desire of former chairman, Mr Robert Carr, that the company should play a more active community role, Ms Jill Fowler, community affairs manager, finds it also brings significant benefits to the careers of secondees.

"A growing number of our secondments are directly linked to career progression," she says. "Although the match is always made on the basis of the individual's existing skills, we also look for assignments that provide a tangible development of their talents."

Ms Fowler's budget allows for 16 Prudential staff to be seconded at any one time, of which, at present, four work for enterprise agencies, two are involved in educational projects and one has just returned from the Royal School of Performing Arts.

The International Stock Exchange seconds people to collaborative organisations at a more senior level. The personnel department seconded a training manager to the City University Business School to help set up their recent consortium, MBA Programme, of which the Stock Exchange was a founder member. At present, another senior manager is on secondment to the Hong Kong Stock Exchange performing the important role of deputy chief executive.

The new perspective of secondment has been vigorously promoted in the past two years by Action Resource Centre (ARC), the main agency responsible for linking community organisations and interested employers.

ARC's director of secondment programmes, Mr Andy Powell, is keen to dispel the notion that community organisations are marginal and that periods of secondment need be for a year or more. He points out that many voluntary sector bodies are involved in activities that offer considerable scope for improving managers' inter-personal and organisational skills, and that many can offer short-term flexible assignments tailored to meet the training needs of a company and secondee.

To this end, ARC launched a pilot scheme last June, COMPAS, backed by the Home Office and Leicester Task Force, which offers clearly-defined assignments of between 10 and 200 hours for young managers. Companies already participating in the scheme include Marks and Spencer and GEC.

Last year, ARC collaborated with the Institute of Personnel Management in drawing up a code of practice to govern effective secondments. The code stresses that corporate management needs to play a more active role in agreeing secondment policy, that line managers should help to supervise and appraise secondees' performance and that personnel departments should ensure that all employees are made aware of the nature and benefits of the policy.

The code was issued partly in response to a 1987 study of secondment by the Centre for Employment Initiatives which suggests that staff are often suspicious of secondment – the fate of trouble-makers – and line managers resentful because it depletes their staff for no apparent benefit.

Michel Syrett

Training for small firms is critical, says Charles Batchelor

An essential survival kit

FORGET FOR a moment the management inadequacies of corporations and look at the problems which confront the small and medium-sized businesses. A small minority are set up by professional managers with experience of running parts of large corporations but most are established by people who have no management background and little inclination to learn even the basics of management techniques.

When the business starts to grow the pressures of keeping up with orders, expanding the workforce and juggling the cash flow mean there is little time to spend on management training. Fewer than one per cent of small firms take up any of the training courses on offer, according to government figures.

One entrepreneur who started out to provide meals for film crews notched up turnover of £60,000 before deciding he needed some management skills to run his business. His first experience of formal business training was a one-day course in basic accounting at his local enterprise agency.

"I just fell into it, producing food on a small scale, and up to now everything has gone into getting it going," he said. "Now we are set up I want to understand more about running the business."

A survey carried out a few years ago by the Forum of Private Business, one of the leading small business lobby groups, showed that 67 per cent of its members had never had any formal business training. Even more ominous was the fact that 58 per cent said they did not want any. Forum members have responded more enthusiastically to some of the training programmes introduced more recently.

It is not only a lack of time which prevents small business people from taking up training. Even if they could snatch the odd afternoon away from the office or the factory they are concerned about delegating responsibility during their absence.

But underlying these *obstacles to training is an even deeper problem*. Many owners of small and medium-sized businesses do not believe that formal training will improve the effectiveness of their operations.

"The British don't look to education to help them in practical terms, certainly not when it comes to starting a business," says one experienced management trainer.

To overcome these attitudes the Training Agency has, in recent years, been developing business learning courses which, it hopes, will fit more easily into the routines of small business life. The Private Enterprise Programme was introduced to take account of the fact that small business people can only spend short periods of time away from their work. This programme consists of 13 one-day or two-evening "modules" in subjects such as marketing, finding new products and managing growth.

But this attempt to provide bite-sized chunks of business education for the small company owner has run into criticism from some of the organisations which implement the Training Agency's programmes. *They accuse the agency of going for quantity at the expense of quality.*

Management training cannot be presented as theory in a vacuum, the critics say. It must be related to the small business person's own organisation or it will not be applied effectively. But attempting to provide tailored courses leads back to the problem of a lack of time and resources on the part of the small business participant.

Sandwell College of Further Education in the west Midlands recently launched an intensive programme for the owner-managers of small engineering companies with the aim of helping participants confront problems they met in their own businesses. However, the college was disappointed with the response. Many of those who did apply said they only wanted parts of the course, defeating the trainers' object of looking at the totality of the participant's business.

A third approach which is soon to be tried on a large scale is that of distance learning. Under an ambitious £800,000 training programme currently being finalised by the Open University and Cranfield School of Management, managers would follow tapes and course books at home and also attend occasional workshops. This programme aims to combine the advantages of handy modules of training with a course which is relevant to the participant's own business.

Despite the problems of delivering management training to small and medium-sized companies the Government is pressing on with new initiatives. The Business Growth Training programme is due to start in April with the aim of training both managers and employees in smaller companies at a cost of £55m a year.

Training and advice for smaller companies are to be provided on a local basis in future by Training and Enterprise Councils. These are employer-led organisations which are to be set up over the next three to four years. They are intended to make programmes for small companies more relevant to local needs.

It remains to be seen whether these councils are effective. They have already been criticised for relying on the employers to provide training since the private sector is judged by some to have a poor record of training.

Another government initiative which has been announced in the past few weeks is the Management Action Briefing. This is intended to be a series of 25 briefing sessions held around the country during 1989 to bring a large 'host' company into contact with about 200 senior managers from smaller local businesses.

The intention is to stimulate an exchange of views on common business problems and issues such as design, quality and purchasing and supply. The first of these sessions was hosted by JCB, the excavator manufacturer, in March with further briefings planned at Boots, the pharmaceuticals retailer, and British Aerospace.

The small business sector is a notoriously difficult one to tackle for management trainers. Yet the impact of training can be dramatic. One in three start-up companies in Britain goes bust within three years. The Training Agency says its programmes can cut the mortality rate to just one in 10 over a two-year period.

None of these programmes by itself can be expected to reach more than a small proportion of the businesses for which they are intended. By their very diversity, though, they provide a range of options which, the trainers must hope, will appeal to a growing number of small companies.

Derek Clissold who developed his speciality chemicals business with the help of a London Business School course

DIARY DATES

FINANCIAL

YESTERDAY
BOARD MEETINGS-
Interims:
Pinechurch US Growth
DIVIDEND AND INTEREST PAYMENTS-
Argyle Trust 11% Cnv. Sub. Uns. Ln. 1992 5.5pc.
Investors Capital Trust 4.1p
Mersey Docks And Harbour Co. 3¼% Red. Deb 79/89 1.625pc.
Do. 3½% Red. Deb 79/89 1.75pc.
Do. 6¾% Red. Deb. 96/98 3.375pc.
Scottish Life Assur. Co. 7¼% Uns. Ln. 97/2002 3.5625pc.
TODAY
COMPANY MEETINGS-
Aaronson Bros., Swallow Hotel, Old Shire Lane, Waltham Abbey, 12.00
Brown & Jackson, Battle Bridge House, 300, Grays Inn Road, W.C., 11.00
General Cons. Inv. Tst., 49, Hay's Mews, W., 2.30
BOARD MEETINGS-
Finals:
Bennett & Fountain
British Syphon Inds.
Derwent Valley
Friendly Estates
Lopex
Morley
Miller (Stanley)
Monument Oil & Gas
Scottish Heritable
Singer & Friedlander
Sirdar
Technology Project
Triton
White Fisher
Interims:
Castle Comms.
Colroy Homes
Melville Grp.
Murray Elect.
DIVIDEND AND INTEREST PAYMENTS-
Appleyree Hldgs 2.65p
Bank fur Arbeit und Wirtschaft AG Sub. Fltg. Rate Nts. 2000 $438.44
British Gas 2.73p
Canadian Imperial Bank of Commerce Fltg. Rate Dep. Nts. 2005 $464.4
FAI Insurances 5cts.
GW O'seas Finance NV Gtd. Fltg. Rate Nts. 1994 $441.61
Great Universal Stores 10p
Do. A NV 10p
Greentree Inv. 3.5p
Kenera Oy Fltg. Rate Nts. 1995 $441.61
Local Authority 12¼% Stk. 4/10/89 6.0625pc.
Marina Development Group 2p
Mountview Estates 2p
Scotland Intl. Finance BV Gtd. Fltg. Rate Nts. 1992 $220.81
United Kingdom Fltg. Rate Nts. 1996 $226.13
Vantage Securities 2.4p
TOMORROW
COMPANY MEETINGS-
Bullough, Project Office Furniture, 28, Euston Centre, Euston Road, N.W., 11.00
Fleming Fledgling Inv Tst., 25, Copthall Avenue, E.C., 12.00
Maxpest, 26, Elder Street, E., 11.00
Yeoman Inv. Tst., 5, Devonshire Square, E.C., 12.15
BOARD MEETINGS-
Finals:
American Tst.
Blackwood Hodge
Boddington Grp.
Brooke Service
Celestion Inds.
Gardner (D.C.)
Glyncoed Int.
Grampian Hldgs.
Guardian Royal Exchange
Hogg Robinson Gbl
NMW Computers
Pelon
Rochem
Schroders
Sherwood Grp.
Slough Estates
Spirax-Sarco
Sun Life Assurance
Worcester
Interims:
Barry Wehmiller
Frogmore Estates
Ocean Estates
Prospective Grp.
DIVIDEND AND INTEREST PAYMENTS-
Arlen 1.1p
Bullough 12p
Castlemore Press 2p
Exchequer 11% 1989 5.5pc.
Usher (Frank) Hldgs. 2p
West Kent Water 3½% (Fmly. 5%) Cons. 1.75p
Do. 2.8% (Fmly. 4%) Prf. 1945 Vtg. 1.4p
Do. 2.8% (Fmly. 4%) Prf. 1945 NV 1.4p
Do. 3.15% (Fmly 4½%) Red. Prf. 1.575p
THURSDAY MARCH 30
COMPANY MEETINGS-
Gestetner, Claridges Hotel, Brook Street, W., 11.15
Lonrho, Grosvenor House, Park Lane, W., 11.45
Microgen Hldgs., Great Eastern Hotel, Liverpool Street, E.C., 12.00
TSB Group, Scottish Exhibition & Conference Centre, Glasgow, 10.30
Tribune Inv. Tst., 6, Bishopsgate, E.C., 2.30
Yorkshire Chemicals, Kirkstall Road, Leeds, 12.00
BOARD MEETINGS-
Finals:
Anglo Eastern Plants
Avdel
Burmah Oil
Clifford Foods
Clinton Cards
Jessups Grp.
LASMO
Macfarlane (Clansman)
Molins
Mora O'Farrell
North Sea & Gen.
Pearson
Utd. Newspapers
War Grp.
Interims:
Beazer
Cooper (Frederick)
Murray Ventures
Town Centre Securities
DIVIDEND AND INTEREST PAYMENTS-
Bank of Montreal Fltg. Rate Dep. Nts. 1994 £164.13
Chester Waterworks Co. 4.2% (Fmly. 6% Max.) 2.1p
Eva Group 12p
Fleming Fledgeling Inv. Tst. 2.6p
Girozentrale Und Bank Der Ost Spark Fltg. Rate Nts. 1991 $24.22
Milk Marketing Board Fltg. Rate Nts. 1993 £163.35
Nestswood 0.4p
Newman Tonks Group 3.1p
Rauma-Repola Oy FM1.25
Renold 6¾% 1st Deb. 90/95 3.375pc.
Scandinavian Finance BV Stg. Fltg. Rate Nts. 1990 £53.13
Scottish Agric. Sec. Corp. 10¼% Deb. 89/91 5.125pc.
Scottish National Tst. Stepped Prf. 2.625p
Sutton District Water Co. 3.15% (Fmly. 4½%) Prf. 1.575p
Do. 7% (Fmly. 10%) 3.5p
Do. 4.9% (Fmly. 7%) 2.45p
Tendring Hundred Waterworks Co. 5.6% (Fmly. 8%) Max. 2.8p
Do. 3.5% (Fmly. 5%) Max. 1.75p
Do. 4.9% (Fmly. 7%) Max. Prf. 2.45p
Thomson Org. 5% 1st Mtg. Deb. 84/94 1.25pc.
Do. 7¼% Uns. Ln. 87/92 3.625pc.
Treasury 15½% Ln. 1998 7.75pc.
Wells Fargo Fltg. Rate Sub. Cap. Nts. 1997 $226.08
Western Banking Corp. Perp. Cap. Fltg. Rate Nts. $450.61
Wrexham & East Denb. Water Co. 4.9% (Fmly. 7%) Cons. 2.45p
Do. 3½% (Fmly. 5%) Cons. Prf. 1.75p
York Waterworks Co. Cons. 4.9% (Fmly. 7%) Max. 2.45p
Do. 3½% (Fmly. 5%) Max. Div. 1.75p
Do. Cons. Prf. 4.2% (Fmly. 6%) 2.1p
Yorkshire Chemicals 7p
Yorkshire Intl. Finance BV Gtd. Fltg. Rate Nts. 1994 £164.13
FRIDAY MARCH 31
COMPANY MEETINGS-
Hall & Smith, Chamber of Industry & Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
BOARD MEETINGS-
Finals:
Costain Grp.
Edmond Hldgs.
Elys (Wimbledon)
Eurotunnel
Goal Petroleum
Interims:
Bermuda Int. Bond
DIVIDEND AND INTEREST PAYMENTS-
ABB Kent 6% Deb. 88/93 3pc.
Do. 7¾% Deb. 89/93 3.875pc.
Do. 8% Uns. Ln. 88/93 4pc.
Aaronson Bros 5¼% Red. Prf. 2.625p
Do. 4¼% Red. Prf. 2.125p
Aerlinte Eireann Teoranta 10⅞% Stg. Deb. [illegible]
Alexander & Alexander Services 25cts.
Do. C 14.32p
Allied London Props. 8½% Cnv. Uns. Ln. 1999 4.25pc.
Allnatt London Props. 9¼% 1st Mtg. Deb. 96/2001 4.625pc.
Do. 6¾% 1st Mtg. Deb. 88/89 3.375pc.
American Cyanamid 30cts.
Anglo United 0.2p
Associated British Eng. 4.9% Prf. 2.45p
Do. 8% Cnv. Red. Prf. 4p
Associated Paper Inds. 3.85% Prf. 1.925p
Atlantic Metropolitan UK 12% Cnv. Uns. Ln. 91/97 6pc.
Automotive Products 4.55% 2nd Prf. 2.275p
Do. 9% Prf. 4.5p
Do. 3½% Prf. 1.75p
Aston Props. 11% Gtd. Deb. 2021 5.5pc.
Do. 11% Gtd. Deb. 2021 Ser. A 5.5pc.
Austin Reed Group 6% Prf. 2.1p
BAT Inds. 10% Uns. Ln. 90/95 5pc.
Do. 10½% Uns. Ln. 90/95 5.25pc.
BPB Inds. 7¼% Deb. 89/91 3.625pc.
Do. 10¼% Deb. 97/2002 5.125pc.
Do. 10¾% Deb. 94/99 5.375pc.
Bank of Ireland (Governor & Co. of) 7% Ln. 89/91 3.5pc.
Barrow Hepburn Group 7¾% Prf. 3.875p
Bass 4% Prf. 1.4p
Do. 7% Prf. 2.45p
Do. 3¼% Deb. 87/92 1.625pc.
Do. 8¼% Deb. 87/92 4.125pc.
Do. 8.65% Deb. 87/89 4.325pc.
Do. 10.65% Deb. 86/89 5.325pc.
Do. 4½% Uns. Ln. 92/97 2.25pc.
Do. 7¾% Uns. Ln. 92/97 3.875pc.
Bass Invs. 6% Uns. Ln. 85/90 3pc.
Do. 7⅜% Uns. Ln. 92/97 3.6875pc.
Beacon Group Cnv. Ptg. Pfd. 4p
Bemrose Corp. 7½% Prf. 2.625p
Bibby (J.) & Sons. 4.2% Prf. 2.1p
Birmid Qualcast 7½% Uns. Ln. 87/92 3.75pc.
Blue Circle Inds. 5¾% 2nd Deb. 84/2009 2.875pc.
Boddington Group 4% Deb. Perp. 2pc.
Boot (Henry) & Sons 5¼% Prf. 2.625p
Boots Co. 7¾% Uns. Ln. 88/93 3.875pc.
Boscombe Property Co. 5% 1st Prf. 1.75p
Bowater Inds 4.35% Prf. 2.175p
Bowthorpe Hldgs. 8% Deb. 88/93 4pc.
Braithwaite 7½% Prf. 2.625p
Bridon 7% Pfd. 1.225p
Bristol & West Hotels 7¾% 1st Mtg. Deb. 87/92 3.875pc.
Bristol Evening Post 10¾% Mtg. Deb. 91/96 5.375pc.
British-American Tobacco 5% Prf. 1.75p
British Assets Trust 4½% Prf. 1.575p
Do. A 5% Prf. 1.75p
Do. 6% ULS 1995 3pc.
British Land Co. 10½% Dbl. 1st Mtg. Deb. 2019/24 5.25pc.
Brixton Estate 11¾% 1st Mtg. Mtg. Deb. 2019 5.875pc.
Brown (John) 4⅞% Sec. Ln. 2003 2.4375pc.
Do. 6⅝% Dec. Ln. 2003 2.8125pc.
Bruntcliffe Invs. 7% Prf. 2.45p
Burtonwood Brewery 8¼% Deb. 89/94 4.125pc.
CDFC Trust 6½% Cnv. Uns. Ln. 2010 3.25pc.
Cable & Wireless 2.82p
Do. 7% Cnv. Uns. Ln. 2008 1.803pc.
Cambridge Water Co. 3½% (Fmly. 5%) Cons. 1.75p
Capital & Counties 6¼% 1st Mtg. Deb. 93/98 3.125pc.
Do. 6¾% 1st Mtg. Deb. 94/99 3.375pc.
Century Oils Group 5¼% Prf. 2.625p
Charringtons Indl. Hldgs. 6% Uns. Ln. 88/93 3pc.
Do. 8% Uns. Ln. 88/93 4pc.
Do. 10¾% Uns. Ln. 93/98 5.375pc.
Chemical Banking Corp. Fltg. Rate Senior Nts. 1999 $84.5
Churchbury Estates 9% Uns. Ln. 2000 4.5pc.
City Gate Estates 3¾% Cnv. Prf. 1.875p
City Site Estates 10½% 1st Mtg. Deb. 2017 5.25pc.
Do. New 10½% 1st Mtg. Deb. 2017 1.0368pc.
Do. 10% Cnv. Red. Prf. 1p
City & Commercial Inv. Tst. 3.455p
Coats Viyella 4.9% Prf. 2.45p
Coloroll Group Red. Prf. 2005 4.044p
Combined Electrical Manufacturers 6% 1st Mtg. Deb. 87/92 3pc.
Continental Bank Corp. 20cts.
Continental Illinois Overs. Fin. Corp. NV Gtd. Fltg. Rate Sub. Nts. 1994 $243.3
Cooper (Frederick) 6.5p (Net) Cnv. Red. Ptg. Pref. 3.25p
Courtaulds 7¾% Deb. Stk. 89/94 3.875pc.
Do. 7¾% Uns. Ln. Stk. 2000/5 3.875pc.
Courtaulds Home Furnishers 6½% Deb. Stk. 84/89 3.25pc.
Courts (Furnishers) 7.7% Prf. 3.85pc.
Cowie (T.) 10½% Cnv. Red. Prf. 5.25pc.
Credit Foncier de France 14¼% Gtd. Ln. Stk. 2007 (Reg.) 7.375pc.
Cronite Group 14% Cnv. Deb. Stk. 1992 7pc.
Crosby Woodfield 10% Prf. 5pc.
Crystalate Hldgs. 8¼% Cnv. Uns. Ln. Stk. 2003 4.125pc.
DAKS Simpson Group 5% Prf. 2.8pc.
Davenports Brewery 4% Deb. Stk. 2pc.
De La Rue Co. 2.45% Prf. Stk. 1.225pc.
Debenhams 6¼% 2nd Deb. Stk. 90/95 3.125pc.
Do. 6½% Uns. Ln. Stk. 86/91 3.25pc.
Devenish (J.A.) 5½% Prf. Stk. 2.75pc.
Do. 4.5% Cnv. 2nd Prf. 2.25pc.
Doctus 5.25% Red. Pref. 2.625pc.
Dowty Group 3.2p
Dowty Group 7% Cnv. Red. Pfd. 3.5pc.
Drummond Group 8% Prf. 2.1pc.
Dunhill Hldgs. 4.2% Prf. 2.1p
Dyson (J. & J.) 7½% Cnv. Uns. Ln. 87/92 Y7.5
Eastern Intl. Inv. Tst. 9½% Deb. 92/97 4.75pc.
Elliott (B.) 6½% Deb. 88/93 3.25pc.
Do. 7¼% Deb. 90/95 3.625pc.
Ellis & Everard 5% Prf. 1.75p
Elson & Robbins 4.7% Prf. 2.35p
EMAP 7¼% Deb. 86/91 3.625pc.
Enfield Corp. 22cts.
Enhart Co. 6% Prf. 2.1p
Empire Stores (Bradford) 8¾% Deb. 91/96 4.375pc.
Do. 6⅞% Deb. 85/90 3.4375pc.
Engelhard Corp. 14cts.
English & Intl. Tst. 5½% Prf. 1.925p
Do. 8⅞% Prf. 0.607876p
Do. 10⅝% Deb. 2014 5.3125pc.
Erskine House Group 7¼% Cnv. Red. Prf. 3.625p
Essex Water 8% Red. Prf. 1989 4p
Do. 8⅝% Red. Prf. 1983 4.3125p
European Home Products 5¼% Cnv. Red. Prf. 2006/11 2.625p
Do. 8⅞% Red. Prf. 2001/05 4.4375p
Euston Centre Props. 10.4% 1st Mtg. Deb. 92/97 5.2pc.
Eva Inds. 6½% Deb. 85/90 3.25pc.
Ewart 8½% Uns. Ln. 90/95 4.25pc.
External Inv. Tst. 8% Cnv. Uns. Ln. 03/08 4pc.
F & C Eurotrust 5¾% Cnv. Uns. Ln. 1996 2.875pc.
Fine Spinners & Doublers 4% 1st Mtg. Deb. Red. 2pc.
Fisons 5⅞% Uns. Ln. 2004/09 2.9375pc.
Fitch Lovell 4p
Foreign & Col. Inv. Tst. 5% Prf. 1.75p
Forminster 11% Prf. 5.5p
Fundinvest 7% Prf. 2.45p
GATX Corp. 50cts.
GEI Intl. 10% Uns. Ln. 87/92 5pc.
Genbel Invs. 110cts.
General Electric 2.15p
Do. 7¼% Uns. Ln. 87/92 3.625pc.
Do. 7¾% Uns. Ln. 88/93 3.875pc.
General Electric O'seas Capital Corp. 5½% Cnv. Gtd. Ln. 85/93 2.75pc.
General Instrument Corp. 12.5cts.
Globe Inv. Tst. 10% Deb. 2016 5pc.
Do. 11½% Cnv. Uns. Ln. 90/95 5.75pc.
Glynwed Intl. 10¾% Uns. Ln. 94/99 5.375pc.
Gopeng Berhad 10sen
Govett Strategic Inv. Tst. 11½% Deb. 2014 5.75pc.
Grainger Tst. 11¾% 1st Mtg. Deb. 2024 5.875pc.
Great Portland Estates 8¼% 1st Mtg. Deb. 90/95 4.125pc.
Do 9½% 1st Mtg. Deb. 2016 4.75pc.
Do. New 9½% 1st Mtg. Deb. 2016 1.5066pc.
Great Western Resources Inc. 6% Cnv. Uns. Ln. 2003 3pc.
Green Property Co. 2p
Greenhall Whitley 8% Prf. 4p
Gresham Tst. 7¼% Gtd. Uns. Ln. 88/91 3.625pc.
Do. 6½% Gtd. Uns. Ln. 88/93 3.25pc.
Do. 8% Gtd. Uns. Ln. 88/93 4pc.
Greycoat 12.85% Uns. Ln. 90/92 6.425pc.
Grindlays Eurofinance BV Fltg. Rate Nts. 1992 $458.16
Guardian Royal Exchange Assurance 7% Red. Prf. 2.45p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1996 (Ser. A) £58.34
Halma 11% Prf. 5.5p
Hambros Advanced Tech. Tst. 65p
Hambros Inv. Tst. 8-17% Stepped Int. Deb. 2018 6.5pc.
Hammerson UK Props. 9¾% 1st Mtg. Deb. 97/02 4.875pc.
Harvey & Thompson 4p
Hasbro Inc. 8% Cnv. Prf. 50cts.
Haslemere Estates 10¼% 1st Mtg. Deb. 98/2003 5.125pc.
Heelair Consumer Prods. 6% Uns. Ln. 85/95 3pc.
Hewetson 1.25p
Higgs & Hill 8% Uns. Ln. 89/94 4pc.
Do. 8¼% Deb. 89/94 4.125pc.
Hill & Smith Hldgs. 14% 1st Mtg. Deb. 2000/03 7pc.
Hill Samuel Group 8% Uns. Ln. 89/94 4pc.
Home Brewery 5¾% Prf. 2.0125p
Housing Finance Corp. 7% Deb. 2009 3.5pc.
Do. 7% Deb. 2009 (Ser. 2) 3.5pc.
Do. 5% Deb. 2027 2.5pc.
Holye (Joseph) & Son 5% Prf. 1.75p
IMI 8¼% Uns. Ln. 87/92 4.125pc.
Inchcape 8½% Red. Prf. 90/92 2.975p.
Do. 5¼% Red. Prf. 90/92 2.625p
Do. 10½% Uns. Ln. 90/95 5.25pc.
Do. 8% Uns. Ln. 87/90 4pc.
Do. 12½% Uns. Ln. 93/98 6.25pc.
Inco Engineered Prods. 8% Deb. 87/92 4pc.
Do. 11% Deb. 96/2001 5.5pc.
Intl. Paint 8¼% Uns. Ln. 90/95 4.125pc.
Investment Co. 6% Prf. 4.2p
Investors Capital Tst. 7¼% Deb. 92/97 3.625pc.
Johnson & Firth Brown 11.05% Prf. 5.525p
Do. 11% Uns. Ln. 93/98 6.42pc.
Johnston Group 10% Prf. 5p
Jones, Stroud Hldgs. 10% Prf. 5p
Keep Tst. 4.9% (Net) Red. Prf. 2.45p
Kelsey Inds. 11¼% Prf. 5.625p
Keystone Inv. Co. 5% Prf. 1.75p
Kleinwort Benson Fin. BV Gtd. Fltg. Rate Nts. 1999 $455
LIT Hldgs. 9.47% Red. Prf. 4.735p
Land Securities 6¼% 1st Mtg. Deb. 93/98 3.125pc.
Do. 10% 1st Mtg. Deb. 2025 5pc.
Do. 9% 1st Mtg. Deb. 96/2001 4.5pc.
6⅞% Uns. Ln. 92/97 3.4375pc.
Do. 8½% Uns. Ln. 92/97 4.25pc.
Laporte Inds. 5½% 2nd Prf. 1.925p
Do. 7½% Prf. 2.625p
Do. 5¾% Deb. 88/93 2.875pc.
Do. 8% Deb. 93/98 4pc.
Do. 10¼% Deb. 94/99 5.125pc.
Law Land 7½% 1st Mtg. Deb. 86/91 3.75pc.
Lee (Arthur) & Sons 4¾% 1st Mtg. Deb. 74/89 2.375pc.
Leigh Interests 6% Cnv. Red. Prf. 3p
Lloyd (F. H.) Hldgs. 7¾% Uns. Ln. 81/91 3.875pc.
London American Ventures Tst. 4% Pfd. 2p
London Cremation 10% Prf. 3.5p
London Shop 8¼% Uns. Ln. 87/97 4.125pc.
Lonrho 10¼% 1st Mtg. Deb. 97/2002 5.125pc.
Lovell (Y. J.) Hldgs. 8½% Deb. 87/92 4.25pc.
M & G Conversion Tst. Fd. 6.28p
Do. Gilt & Fixed Int. Inc. Fd. 1p
Do. Smaller Companies Fd. 14p
MEPC 4½% Prf. 1.575p
Do. 12% 1st Mtg. Deb. 2017 6pc.
Do. 9¾% 1st Mtg. Deb. 97/2002 4.875pc.
Do. 6½% Cnv. Uns. Ln. 95/2000 3.25pc.
Do. 8% Uns. Ln. 2000/05 4pc.
McCarthy & Stone 7% Cnv. Uns. Ln. 99/04 3.5pc.
Macarthy 6% B Prf. 2.1p
Do. 5½% B Red. Prf. 1.925p
Magnet 5¼% Red. Prf. 2.625p
Do. 5⅝% Cnv. Red. Prf. 2012 2.8125p
Mansfield Brewery 11½% Deb. 2010 5.75pc.
Markheath Securities 1.5p
Marler Estates 4½% Prf. 1.575p
Marston, Thompson & Evershed 7% Uns. Ln. 93/98 3.5pc.
Martin Marietta Corp. 27.5cts.
Mecca Leisure Group 7¼% (Net) Cnv. Red. Prf. 2.463p
Metropolitan Rly. Surplus Lands 6¼% 1st Mtg. Deb. 88/91 3.125pc.
Do. 6½% 1st Mtg. Deb. 86/91 3.25pc.
Metropolitan Water Chelsea Wtrwrks. 2¾% Deb. 1897 1.375pc.
Michelin Tyre 9½% Deb. 92/97 4.75pc.
Morland & Co. 5% Prf. 1.75p
Do. 7½% Red. Deb. 87/92 3.75pc.
Moss Tst. 6½% Cnv. Red. Prf. 98/2000 3.25p
Mountleigh Group 6½% Prf. 4.55p
Muckiow (A. & J.) Group 6¾% 1st Mtg. Deb. 89/94 3.375pc.
Do. 7½% 1st Mtg. Deb. 90/98 3.75pc.
Do. 13¼% 1st Mtg. Deb. 2000/05 6.625pc.
NMC Group (net) Red. Cnv. Prf. 4.637p
Nationwide Bldg. Soc. Fltg. Rate Nts. 1992 (2nd Ser.) £58.34
New Throgmorton Tst. (1983) 12.6% Deb. 2008 6.3pc.
Newcastle-Upon-Tyne (City of) 11¼% Red. 2017 5.625pc.
North Devon Water Board 4% Red. 1995 2pc.
Northchart Invs. 4cts.
Northern Eng. Inds. 8¾% Uns. Ln. 88/93 4.1875pc.
Northern Telecom 7cts.
O. K. Bazaars (1929) 6% 1st Prf. 6cts.
Do. 8% 3rd Prf. 5cts.
Oceonics Group 9¼% Red. Prf. 1993 4.625p
Oldham Met. Borough Council 12.4% Red. 2022 6.2pc.
Oliver (George) Footwear 5¼% Prf. 2.625pc.
Optical & Medical Intl. 1.65p
O'seas Inv. Tst. 5½% Deb. 85/90 2.75pc.
Do. 7½% Cnv. Uns. Ln. 96/98 3.75pc.
P & O Property Hldgs. 7¼% 1st Mtg. Deb. 91/96 3.625pc.
Do. 6¾% 1st Mtg. Deb. 89/94 3.375pc.
Do. 8% Uns. Ln. 97/99 4pc.
Pauls 6¾% Deb. 85/90 3.375pc.
Pearson 5.675% Uns. Ln. 88/93 2.8375pc.
Do. 6.975% Uns. Ln. 88/93 3.4875pc.
Do. 8¼% Uns. Ln. 88/93 4.125pc.
Petroleos Mexicanos 14½% Ln. 2006 7.25pc.
Phoenix Timber Group 6% Prf. 2.1p
Pillar Electrical 7½% Uns. Ln. 86/91 3.75pc.
Portsmouth Water Co. 3% Perp. Deb. 1.5pc.
Do. 3½% Perp. Deb. 1.75pc.
Do. 10⅝% Red. Deb. 1996 5.3125pc.
Do. 13% Red. Deb. 1994 6.5pc.
Do. 14% Deb. 1992 7pc.
Powell Duffryn 6¼% Deb. 84/89 3.125pc.
Powerscreen Intl. 13% Cnv. Uns. Ln. 1995 6.5pc.
Priest, Marians Hldgs. 6½% Cnv. Uns. Ln. 2000/03 3.25pc.
Property Hldg. & Inv. Tst. 7% 1st Mtg. Deb. 90/95 3.5pc.
Property Security Inv. Tst. 1.5p
Prudential-Bache Cap Funding 9¼% Prf. 4.625p
Public Service Enterprise Group Inc. 51cts.
RIT Capital Partners 2½% Cnv. Uns. Ln. 2000 1.66663pc.
Readicut Intl. 6% Prf. 1.05p
Do. 5¾% 2nd Prf. 2.0125p
Do. 8¾% Uns. Ln. 88/93 4.375pc.
Redfearn 7% Prf. 2.45p
Do. 7% 2nd Prf. 2.45p
Richards 7½% Deb. 87/92 3.75pc.
Rights and Issues Inv. Tst. Inc. 4.1p
Do. Cap. 0.27p
River & Mercantile Geared Cap. & Inc. Tst. 1.2p
River & Mercantile Tst. 8½% Deb. 89/94 4.25pc.
Rockware Group 8% Uns. Ln. 95/97 4pc.
Royal Bank of Canada Fltg. Rate Debs. 2005 $84.5
Ruston & Hornsby 8% Deb. 87/92 4pc.
S & U Stores 6% Prf. 2.1p
S. E. P. Indl. Hldgs. 0.46p
Do. Pfd. 0.96p
St Davids Inv. Tst. 4p
Salvesen (Christian) 5.6% Prf. 2.8p
Savoy Hotel 8½% Uns. Ln. 93/98 4.25pc.
Scantronic Hldgs. 5¾% Cnv. Red. Prf. 2.875p
Scapa Group 8% Uns. Ln. 88/93 4pc.
Scottish & Mercantile Inv. Tst. 7½% Pfd. 2.625p
Scottish Mortgage & Tst. 8-14% Stepped Int. Deb. 2020 7pc.
Scottish National Tst. 10% Deb. 2011 5pc.
Securities Tst. of Scotland 4½% Prf. 1.575p
Do. 12% Deb. 2013 6pc.
Senior Eng. Group 9.6% Uns. Ln. 91/96 4.8pc.
Shield Group 5.84% (Net) Cnv. Red. Pfd. 2.92p
Shires Inv. 11% Cnv. Uns. Ln. 2003/04 5.5pc.
Siebe 3.375p
600 Group 3.15% Prf. 1.575p
Do. 4.55% 2nd Prf. 2.275p
Do. 8½% Uns. Ln. 87/92 4.25pc.
Do. 11% Uns. Ln. 92/97 5.5pc.
Sketchley 4.2% Prf. 2.1p
Smith New Court 12% Sub. Uns. Ln. 2001 6pc.
Smith, St. Aubyn Hldgs. 6% Prf. 2.1p
Do. 9½% 2nd Prf. 4.75p
Do. 7% Sub. Uns. Ln. 86/91 3.5pc.
Smith (W. H.) Group 3¾% Red. Pfd. 1.875p
Do. 5¾% Prf. 2.875p
Stag Furniture Hldgs. 11% Prf. 5.5p
Standard Chartered 12⅞% Sub. Uns. Ln. 2002/07 6.4375pc.
Staveley Inds. 5¼% Prf. 1.8375p
Do. 7½% Uns. Ln. 86/91 3.75pc.
Do. 7½% Uns. Ln. 89/95 3.75pc.
Sterling Estates 8% 1st Mtg. Deb. 88/93 4pc.
Sterling Inds. 5½% 1st Prf. 1.925p
TR Industrial & General Tst. 4½% Prf. 1.575p
TR Trustees Corp. 6½% Deb. 82/92 3.25pc.
Tate & Lyle 6½% Prf. 2.275p
Do. 7¾% Deb. 89/94 3.875pc.
Do. 8% Uns. Ln. 2003/08 4pc.
Do. 10¾% Uns. Ln. 2003/08 5.375pc.
Do. 9⅝% Nts. 1992 4.8125pc.
Temple Bar Inv. Tst. 5.3p
3i 7¼% A Deb. 91/94 3.625pc.
Do. 9% A Deb. 91/94 4.5pc.
Tollemache & Cobbold Breweries 6% Deb. 90/95 3pc.
Tollgate Hldgs. 10cts.
Tootal Group 5% Prf. 1.75p
Tor Inv. Tst. 8.25p
Do. 4¾% Prf. 1.6625p
Do. 6% Prf. 2.1p
Trafford Park Estates 11¾% 1st Mtg. Deb. 2007/10 5.875pc.
Transport Development Group 9¼% Uns. Ln. 95/2000 4.625pc.
Tridenst Silk Printers 6% Prf. 2.1p
Tomoco Finance 11½% Cnv. Uns. Ln. 1995 5.75pc.
Triplex Lloyd 5½% Prf. 1.925p
Unigate 3.65% Prf. 1.825p
Do. 4.7% Prf. 2.35p
Do. 5% Uns. Ln. 91/98 2.5pc.
Do. 6½% Uns. Ln. 91/96 3.25pc.
Union Intl. Co. 6% Prf. 2.1p
United Glass Hldgs. 7⅛% 1st Mtg. Deb. 87/90 3.625pc.
Updown Inv. 7.5p
VSEL Consortium 11% Uns. Ln. 1995 5.5pc.
Vickers 5% Pfd. 1.75p
Do. 5% Prf. 1.75p
Do. 5% Prf. (Tax free to 30p) 2.5p
Volex Group 7% Prf. 2.45p
Warburg (S. G.) Group 7⅝% Prf. 3.8125p
Do. 6% A Cnv. Prf. 3p
Ward Hldgs. 2.1p
Warner Estate Hldgs. 6½% Uns. Ln. 91/96 3.25pc.
Warner Holidays 6¼% Prf. 2.1875p
Wassall 5¼% (Net) Prf. 2.625p
Watney, Mann & Truman Hldgs. 5% Red. Deb. 2000 2.5pc.
Do. 6½% Red. Deb. 88/93 3.25pc.
Do. 7¾% Red. Deb. 88/93 3.875pc.
Do. 10½% Red. Deb. 90/95 5.25pc.
Do. 12⅛% Red. Deb. 2008 6.0625pc.
Watson (R. Kelvin) 10½% Prf. 5.25p
Webb (Joseph) 8% Mtg. Deb. 85/90 4pc.
Wells Fargo & Co. Fltg. Rate Sub. Nts. 1992 $84.82
Do. Fltg. Rate Sub. Nts. 2000 $85.03
Westland Group 7⅜% Deb. 87/92 3.6875pc.
Do. 12⅛% Deb. 2008 6.1875pc.
Whitbread & Co. 4½% Red. Deb. 99/2004 2.25pc.
Whitbread Inv. Co. 6¾% Deb. 84/89 2.875pc.
Do. 7-12% Stepped Int. 2nd Deb. 2010 5pc.
Wigfalls 6% Prf. 2.1p
Do. 6¾% Uns. Ln. 84/89 3.375pc.
Wilkinson & Riddell Hldgs. 5% Prf. 2.5p
Williams Hldgs. Cnv. Red. Prf. 2.64247p
Do. 10¾% Prf. 5.375p
Wilson (Connolly) Hldgs. 8¼% 1st Mtg. Deb. 90/95 4.125pc.
Wintrust 2.5p
Do. 5¾% Cnv. Prf. 2.875p
Do. 10½% Prf. 5.25p
York Tst. Group Red. Cnv. Prf. 3.375p
SATURDAY APRIL 1
DIVIDEND AND INTEREST PAYMENTS-
Allied-Lyons 3% Red. Deb. 85/90 1.5pc.
Do. 3¼% Red. Deb. 87/97 1.625pc.
Do. 6¼% Red. Deb. 84/89 3.125pc.
Do. 6¼% Red. Deb. 87/92 3.125pc.
Do. 6¾% Red. Deb. 88/93 3.375pc.
Do. 7¼% Red. Deb. 88/93 3.625pc.
Do. 5¼% Uns. Ln. 2.625pc.
Do. 5¾% Uns. Ln. 2.875pc.
Do. 6¼% Uns. Ln. 3.125pc.
Do. 7½% Uns. Ln. 3.75pc.
Do. 7¾% Uns. Ln. 93/98 3.875pc.
American Tst. 6¼% Deb. 87/92 3.125pc.
Anglo United Cnv. Red. Prf. 3.625p
Asda Property Hldgs. 1st Mtg. Deb. 2011 5.1662pc.
BET 5% Perp. Deb. 2.5pc.
Baldwin 7% Prf. 2.45p
Bank of Wales 13½% Sub. Uns. Ln. 96/97 6.75pc.
Birmingham Mint Group 6% Prf. 2.1p
Boddingtons Breweries 6½% Uns. Ln. 2000/05 3.25pc.
Bournemouth & District Water Co. 3½% (Fmly. 5%) Cons. 1.75p
Bowater Inc. 28cts.
Bristol Waterworks. Co. 6% Cnv. Red. Prf. 1998 3.465p
Do. 11.2% Red. Deb. 2005/09 5.6pc.
Do. 11¾% Red. Deb. 2004 5.875pc.
Do. 12½% Red. Deb. 2004 6.25pc.
Burton Group 8% Uns. Ln. 98/2003 4pc.
Do. 9¼% Uns. Ln. 98/2003 4.625pc.
CRH 3p
Caffyns 6½% 1st Prf. 2.275p
Do. 10% Prf. 5p
Cape Inds. 4.2% Cum. Cnv. Red. Prf. 4.2p
Do. 10% Deb. 1986/91 5pc.
Chemical Banking Corp. 68cts.
Chesterfield Props. 5.25% Cnv. Cum. Prf. 2.625p
Coastal Corp. 10cts.
Colne Valley Water 3.5% 1.75p
Do. A 7% 3.5p
Do. C 7% 3.5p
Do. 4.9% 2.45p
Do. 2.8% Cons. Prf. 1.4pc.
Do. 4.025% Red. Prf. 1988/93 2.0125pc.
Do. 6% Red. Prf. 1990 3pc.
Do 6¾% Red. Prf. 1992/94 3⅜pc.
Conversion 3½% Ln. 1¾pc.
Corp. of London 3% 2007 1½pc.
Courtaulds Clothing Brands 7½% Cum. Prf. 2.625p
Crest Nicholson 5½% Cnv. Cum. Red. Prf. 2.75p
Cronite Grp. 2.5p
East Anglian Water 3.5% Cons. 1.75p
Do. 3.5% (Fmly 5%) 1.75p
Do. 3.5% 2.167pc.
Do. 3½% Perp. Deb. 1¾pc.
Do. 4% Perp. Deb. 2pc.
Do. 5% Perp. Deb. 2½pc.
Do. 7% Red. Deb. 1987/89 3½pc.
Do. 7¾% Red. Deb. 1991/92 3⅞pc.
Do. 9% Red. Deb. 1992/94 4½pc.
Do. 11.5% Red. Deb. 1995/97 5.75pc.
Eastbourne Water 8⅜% Red. Prf. 1995 4.1875pc.
Eldridge, Pope 4% 1st Mtg. Deb. Red. 2pc.
Electricity Supply Board 6% 1984/89 3pc.
Do. 7% 1986/91 3.5pc.
Do. 7¼% 1988/93 3.625pc.
Do. 8¼% 2003 4.125pc.
Do. 9½% 1985/90 4.75pc.
Electron House 6.5% Cnv. Cum. Red. Prf. 3.25p
Elliott (B.) 7% Cnv. Cum. Red. Prf. 3.5p
Essex Water 9⅞% Red. Deb. 1997/99 4 15/16pc.
Do. 11.2% Red. Deb. 2005/09 5.6pc.
Do. 11¾% Red. Deb. 2002/04 5⅞pc.
Do. 11.5% Red. Deb. 1995/97 5.75pc.
Excalibur Grp. 0.25p
Extel Grp. 10½% Cum. Prf. 5.25p
Fergebrook 12% Cnv. Un. Ln. 1992/97 6pc.
Ferranti Int. Signal 3.5% 2nd. Red. Cum. Prf. 1.75p
File Indmar 3p
First Chicago 45cts.
Fitch-RS Cnv. Cum. Red. Prf. 2007 4.5p
Fleming Far Eastern 4½% Cum. Prf. 1.575p
Do. 5% Cum Prf. 1.75p
Fleming Universal 5% Cum. Prf. 1.75p
GEC-Elliott Automation 5¾% Deb. 1985/90 2⅞pc.
Do. 6½% Deb. 1989/94 3¼pc.
GTE Corp. 87cts.
General Cons Inv. Tst. 5½% Cum. Prf. 1.925p
Glaxo 6¾% Un. Ln. 1985/95 3 3/8pc.
Goring Kerr 10.5p
Grand Metropolitan 4¾% Cum. Prf. 1.6625p
Hampton Tst. 11¼% 1st Mtg. Deb. 2025 5⅝pc.
Hanson 5.75% Cnv. Cum. Red. Prf. 2.875p
Hardys & Hansons 6% 2nd. Cum. Prf. 2.1p
Heywood Williams Cum. Cnv. Red. Prf. 3.375p
Hollas Grp. 1.5p
Home Grp. 5cts.
Hull Corp. 2½% Red. 1938 1¼pc.
Do. 3½% 1¾pc.
Hunterprint 6½% Cnv. Cum. Red. Prf. 3.25p
ITT Corp. 37cts.
Illingworth, Morris 6½% Cum. Prf. 2.275p
Do. 6½% Cum. 2nd. Prf. 2.275p
Johnson Matthey 5% Cum. Prf. 1.75p
Do. 8% Cnv. Cum. Prf. 4p
Keystone Inv. 11⅛% Deb. 2010/15 5 9/16pc.
Kingsley & Forester 3.65% Cum. Prf. 1.925p
Kunick Cnv. Cum. Red. Prf. 3.87387p
Lawrence (Walter) 8.5% Cnv. Cum. Red. Prf. 4.25p
Lee Valley Water 5.95% Red. Prf. 1996/97 2.975p
Do. 7⅛% Red. Prf. 1997/98 3.5625p
Do. 9½% Red. Prf. 1989 4.75p
Leeds (City of) 13⅛% Red. 2006 6 9/16pc.
Liverpool Corp. 3½% 1¾pc.
Do. 3% Red. 1942 1½pc.
Lovell (Y.J.) 5.15p
Low (Wm.) 6.75% Cum. Cnv. Red. Prf. 3.375p
MEPC 10½% Un. Ln. 2032 5¼pc.
Do. New 2.0034pc.
McCarthy & Stone 8.75% Cum. Red. Prf. 2003 5.25p
Menzies (John) 9% Cum. Prf. 4.5p
Metropolitan Tst. 4½% Cum. Prf. 1.575p
Do. 5% Cum. Prf. 1.75p
Metropolitan Water Lambeth Water 3% Deb. 1½pc.
Do. Met. Water 3% A 1963/2003 1½pc.
Mid Kent Water 8¾% Red. Prf. 1997 4.375p
Mid-Southern Water 3.5% Cons. 1.75p
Mid-Sussex Water 7% Red. Prf. 1988/90 3.5p
Do. 8¼% Red. Prf. 1986 4.125p
Do. 10% Red. Deb. 2013/7 5pc.
Do. 12% Red. Deb. 2010 6pc.
Morgan Crucible 3.85% Cum. 1st. Prf. 1.925p
Do. 3.5% Cum. 2nd. Prf. 1.75p
Morton Sundour Fabrics 5% Cum. 1st. Prf. 1.75p
Newcastle & Gateshead Water 7% Red. Prf. 1994/96 3.5p
North Surrey Water 3.15% Prf. 1.575p
Do. 3.5% Prf. 1.75p
Do. 3.85% Prf. 1.925p
Do. 4.2% Prf. 2.1p
P & O 5% Cum. Prf. 1.75p
Port of London Authority 3½% 1949/99 1¾pc.
Portsmouth Water 8¾% Red. Prf. 1995 4.375p
Do. 2.1% Perp. Prf. 1.05p
Prowting 8.8% Cum. Red. Prf. 4.4p
Queens Moat Houses 10¾% 1st. Mtg. Deb. 2020 5⅜pc.
Reading Corp. 3½% 1¾pc.
Republic New York 32cts.
Rickmansworth Water 2.8% Cons. Prf. 1.4p
Do. 4% Cons. Deb. 2pc.
Do. 7½% Red. Deb. 1991/98 3¾pc.
Russell (Alex) 5.75% Cum. Cnv. Red. Prf. 2.875p
Sara Lee 38cts.
Scottish Cities Inv. Tst. 5% Cum. Prf. 1.75p
South Staffs. Water 7% Red. Prf. 1987/89 3.5p
Sphere Inv. Tst. 5% Cum. Prf. 1.75p
Stead & Simpson 4½% Mtg. Deb. 2¼pc.
Stewart & Wight 2% Cum. Prf. 0.7p
Sunderland & South Shields Water 3.5% Cons. 1.75p
Do. 3.5% 1.75p
Do. 2.8% Cons. Prf. 1.4p
Do. 6.5% Red. Prf. 1989 3.25p
Do. 7⅛% Red. Prf. 1997/99 3.5625p
Symonds Eng. 7½% Cum. Prf. 2.625p
Tiphook 8½% Cnv. Red. Prf. 2003 5.2083p
Tops Estates 7½% Cnv. Un. Ln. 2014 3¾pc.
Town Centre Sec. 10½% 1st. Mtg. Deb. 2027 5¼pc.
Treasury 2½% (1975 or Aft.) 1¼pc.
Wade Potteries 4.2% Cum. Prf. 1.05p
Whitbread & Co. 5½% 3rd. Cum. Prf. 1.925p
Do. 7% Red. Deb. 1988/93 3½pc.
Do. 5¾% Ired. Un. Ln. 2⅞pc.
Do. 7¼% Un. Ln. 1986/91 3⅝pc.
Whitman Corp. 24cts.
Wickes 5½% Sub. Cnv. Un. Ln. 1997/98 2¾pc.
Wigan 3% Red. 1½pc.
Witan Inv. 8½% Deb. 2018 4¼pc.
Woolcombers 7½% Cum. Prf. 2.625p
Do. 6% Cum. 2nd. Prf. 2.1p
Xerox 75cts.
SUNDAY APRIL 2
DIVIDEND & INTEREST PAYMENTS-
BOC Grp. 12¼% Un. Ln. 2012/17 6⅛pc.

Trade Fairs and Exhibitions: UK

Current
British Footwear Fair (01-739 2071) (until April 14)
NEC, Birmingham

March 29-31
Fashion Fabrics Exhibition — FABREX (01-385 1200)
Olympia

March 30-April 5
British International Antiques Fair (021 780 4171)
NEC, Birmingham

April 3-5
London International Book Fair (01-940 6065)
Olympia

April 10-14
International Fire & Security Exhibition & Conference — IFSEC (01-868 4466)
Olympia

April 11-13
International Trenchless Construction for Utilities Conference and Exhibition - NO DIG (0923 778311)
Kensington Exhibition Centre

April 13-15
Corporate finance show — VENTURE (0491 410222)
NEC, Birmingham

April 17-21
International Maritime Exhibition — EXPOSHIP LONDON (0206 45121)
Barbican Centre

April 23-26
The London International Furniture Show (01-370 8215)
Earls Court

April 25-27
British Electronics Week (0799 26699)
Olympia

Overseas Exhibitions

Current
International Nuclear Technology and Instrumentation and Equipment Exhibition — NT & IE CHINA (01-229 2616) (until March 26)
Beijing

March 30-April 2
International Household Fair — HUISHOUDBEURS (01-741 4437)
Amsterdam

April 3-8
International Plastics and Rubber Industries Exhibition — CHINAPLAS
Shanghai

April 4-7
International Airport and Aerospace Engineering Exhibition and Symposium (01-493 0990)
Osaka

April 10-14
International Water Supply Exhibition (0923 778311)
Berlin

April 15-25
Great April Fair (Milan 4997 296)
Milan

April 17-22
Office Equipment, Data Processing & Software Exhibition — SICOB (01-225 5566)
Paris

Business and management conferences

March 30
HS Conference Studies/ Property Management: Property management — New solutions to current problems (01-935 2382)
Cavendish Conference Centre, London

April 3-7
EUUG: UNIX-European Challenges (010322 44763 78089)
Brussels

April 4
CBI Conferences/Direct Marketing Centre: Agenda for change (01-379 7400)
Centre Point, London

April 6
The Industrial Society: Business imperatives for the City — the City has great potential — how can it be fulfilled? (01-839 4300)
The New Connaught Rooms, London

April 12
Oracle Business Information: Basic accounting for life offices (01-727 3503)
Portman Hotel, London

April 18-19
American Tax Institute: Euro-American mergers and acquisitions, a US tax update (01-935 7502)
Portman Hotel, London

April 26-27
FT Conferences: World electronics — Europe's role in an international industry (01-925 2323)
Hotel Inter-Continental, London

April 27-28
Cahiers de droit européen: Towards an internal market of financial services - banks, insurance companies, securities (02/647.07.40)
Brussels

April 27-28
Hudson Research International: Europe 1992: Insiders versus outsiders? (New York 212 587-6950)
Sheraton Park Tower, London

May 2-3
Peat Marwick McLintock: "High-Tech 1992" (01-236 8000)
London

May 9-10
FT Conferences: Transport links with the Continent — collaboration to meet the challenges for future growth (01-925 2323)
Hotel Inter-Continental, London

May 10-11
International Business Communications: International money and capital markets 1989 (01-236 4080)
Café Royal, London

May 15-16

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FIDELITY AMERICAN ASSETS N.V.

Registered Office: Schottegatweg-Oost 130
Curacao, Netherlands Antilles

NOTICE OF ADJOURNED SESSION OF THE ANNUAL GENERAL ASSEMBLY OF SHAREHOLDERS

Please take notice that an adjourned session of the Annual General Assembly of Shareholders of Fidelity American Assets N.V. (the "Corporation") will be reconvened at 2:00 p.m. at Schottegatweg-Oost 130, Curacao, Netherlands Antilles, on April 24, 1989. The Annual General Assembly was adjourned on March 21, 1989.

The following matters are on the agenda for this Assembly:

1. Report of the Management.
2. Election of the Managing Directors.

[illegible]

3. Approval of the Balance Sheet and Profit and Loss Statement for the fiscal year ended November 30, 1988.
4. Ratification of actions taken by the Managing Directors since the last Annual General Assembly of Shareholders, [illegible]
5. Ratification of actions taken by the Investment Manager since the last Annual General Assembly of Shareholders.
6. Such other business as may properly come before the Assembly.

[illegible]

Compagnie Fiduciaire
16, Boulevard de la Foire
LUXEMBOURG

Fidelity International (C.I.) Limited
9 Bond Street
St. Helier, Jersey
CHANNEL ISLANDS

Fidelity International Management Holdings Limited
Oak Hill House
130 Tonbridge Road
Hildenborough
Kent TN11 9DZ, ENGLAND

[illegible]

Fidelity American Assets N.V.
c/o Amaco Holdings & Trust Company N.V.
Post Office Box 305
Curacao
NETHERLANDS ANTILLES

[illegible]

By order of the Management
Charles T.M. Collis
Secretary

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Yen's decline may be short lived

THE BANK of Japan's absence from the foreign exchanges, as other central banks have attempted to stem the dollar's advance, may indicate a variation on the European Monetary System theme, complete with alarm bell limits. The dollar has been trading around Y130 and its upper acceptable limit is probably Y140, with the lower limit at Y120. The levels where alarm bells start to ring are correspondingly Y135 and Y127.50.

Dealers believe the Bank of Japan will be seen in the market if the dollar approaches Y135. Later this year, if there is a fall by the dollar, the central bank is also likely to step in well before Y120.

Japan's problems seem to be legion at present, but will probably turn out to be illusory. It has a weakening currency, rising inflation, high money supply growth, uncompetitive interest rates, falling economic growth and a simmering political scandal. This all sounds rather alarming, but relative to other economies the underlying position still looks strong.

Japanese one-month bills have climbed over ½ a percentage point to 4⅝ per cent in the last two months, but over the same period one-month money in Frankfurt has risen nearly 1 percentage point to 6.15 per cent, and one-month US Treasury bills have gained about 2 points to 9.78 per cent.

The Bank of Japan has not changed its discount rate since February 1987, when it was cut to a record low of 2½ per cent, but may soon decide that a rise of ½ per cent to 3 per cent is called for. According to economists at James Capel and Kleinwort Benson this is likely to occur in June or July, against the background of rising inflationary pressure.

This will be part of the general illusion about the faltering economy however, and according to Midland Montagu the temptation to raise interest rates will be compounded by a growing political scandal.

Inflation could touch 3 per cent later this year, compared with 1.1 per cent in January, boosted by rising oil prices and any further weakening of the yen. But the underlying rate will still be less than 2 per cent, because 1.1 per cent of the gain will be the result of a 3 per cent sales tax to be introduced next month.

The political scandal involves share dealings in Recruit Cosmos, forcing the resignation of some leading politicians and several arrests, on allegations of large windfall profits on the flotation of the company.

The scandal threatens to claim more victims, and according to Midland Montagu, could weaken the Government's influence relative to that of the Bank of Japan, and make a discount rate rise more likely.

Japanese Gross National Product growth in the 1988 calendar year was 5.7 per cent, weaker than expected but still a fifteen year high. For the financial year beginning in April the Government has targeted GNP growth of 4.0 per cent, although this may be slightly conservative, and will still be the strongest growth rate among the G7 nations.

The relative buoyancy of the economy is also illustrated by monetary growth. The widely looked at figure on M2+CDs grew at an annualised rate of 10 per cent in January, which could be another reason for the Bank of Japan to tighten its monetary stance.

In the short term the yen may continue to weaken as speculative funds move from Tokyo to New York. But a weak yen will only tend to increase the trade balance in favour of Japan. A rise in the Japanese discount rate, coupled with the trade trend, *should then push the yen up and the dollar down.*

Colin Millham

£ IN NEW YORK

Mar.29	Close	Previous Close
£ Spot	1.7210-1.7220	1.7270-1.7275
1 month	0.39-0.38pm	0.38-0.36pm
3 months	1.03-1.01pm	0.97-0.94pm
12 months	2.65-2.55pm	2.25-2.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

Mar.23	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.756661	0.647299
U.S Dollar	7	1.30123	1.11681
Canadian $	11.54	1.54807	1.32677
Austrian Sch.	4	17.1632	14.6537
Belgian Franc	7.75	51.1058	43.6143
Danish Krone	7½	9.52045	8.12592
Deutsche Mark	4	2.43903	2.08274
Neth Guilder	5.00	2.75145	2.34932
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Mar.23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.5	-15.1
U.S Dollar	67.9	-10.3
Canadian Dollar	102.5	-0.5
Austrian Schilling	106.5	+9.8
Belgian Franc	105.7	-6.3
Danish Krone	102.7	-2.2
Deutsche Mark	112.6	+20.4
Swiss Franc	106.1	+15.4
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Mar.23	£	$
Argentina	72.9845-73.1780	42.3000-42.4000
Australia	2.0840-2.0865	1.2075-1.2085
Brazil	1.7165-1.7260	0.9950-1.0000
Finland	7.2580-7.2795	4.2150-4.2250
Greece	268.95-273.45	155.65-158.15
Hong Kong	13.4345-13.4480	7.7865-7.7885
Iran	121.55*	69.75*
Korea(Sth)	1158.30-1167.65	670.50-675.90
Kuwait	0.49850-0.50055	0.28950-0.28980
Luxembourg	67.30-67.40	39.10-39.20
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

MONEY MARKETS

Pressures ease as US data calm ruffled nerves

UPWARD PRESSURE on interest rates abated last week, as fears about tighter US monetary policy were not reinforced by the latest economic figures.

It was on Friday of the previous week that shivers ran through the financial markets, on news that the February US producer prices index had risen at over double the expected rate.

Dealers waited nervously for February US consumer prices on Tuesday, as economists revised up their forecasts following the PPI data, but the rise of 0.4 per cent in the CPI was slightly below the expected level.

It may have only indicated that there is a delay before the PPI figures feed through into higher retail inflation, but nevertheless encouraged the view that US interest rates will not be forced higher in the immediate future.

Wednesday's weak February durable goods orders confirmed that the Federal Reserve now has time to assess the impact of recent monetary tightening, before deciding whether another round is required.

Recent figures on retail sales, housing starts and car sales have suggested the US economy is slowing. The other side of the coin points to rising raw material costs, as oil prices touched $20 a barrel last week.

The West German Bundesbank kept Frankfurt rates steady by providing a fixed rate securities repurchase agreement tender during the week, and London rates declined as the upward pressure on international rates eased. On Thursday three-month sterling interbank fell to 12¾ per cent, equal to its lowest level this year.

UK clearing bank base lending rate 13 per cent from November 25

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

[illegible]

CHICAGO

[illegible]

CROSSWORD

No.6,894 Set by DANTE

ACROSS

1 Steps up air travel (6)
4 In Latin "I" is used by many showing vanity (6)
8 Out of range of French explosive device (7)
9 Get browned off with a chap on the Circle Line? (7)
11 Number of soldiers of note in Europe, for example (10)
12 He was inundated with entries from couples (4)
13 Runs out of the striker's reach (5)
14 Made case out for literary colleges (8)
16 The local manager? (8)
18 Runs for water (5)
20 He goes forward or back in play (4)
21 Hammer the piano keys for money (5,5)
23 Delayed a sailor with dire consequences (7)
24 This composition of Glinka's refreshing (7)
25 Flowers some pull up in spring (6)
26 Remarks we're not supposed to hear as the team comes in (6)

DOWN

1 In favour of leave but do without (5)
2 Slipshod editing made light of (7)
3 Unusually dishonest sybarites (9)
5 Give the old lady tea for a start (5)
6 Her naive appearance could be genuine (7)
7 Snare set with meat for tigers, perhaps (3-6)
10 Call to mind (2,7)
13 Anti-coloured lobby in government? (9)
15 First-class colour, Lea's new dogs (9)
17 Presumably I get a lift during this tour (3-4)
19 A number swindled – that's dishonest (7)
21 Put down in the correct order (5)
22 Birds from higher nests (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 8.

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT.

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City Line
Abbey Unit Tst Mngrs (1200)H						
80 Holdenhurst Rd, Bournemouth						0345 717373
High Income						
American Income	6	46.30	46.30xd	49.52	5.53	40003
Gilts & Fixed Int	6	112.30	112.30xd	119.30	8.38	40224
High Inc Equity	6	139.30	132.40	140.80	4.51	40002
Worldwide Bond	6	185.70	185.70xd	196.80	4.95	40003
Capital Growth						
American Growth	6	157.40	159.20	169.30	1.71	40004
Asian Pacific	6	84.59	84.59	90.48	0.95	40005
Assets & Earnings	6	154.60	160.90	171.10	2.18	40006
Capital Reserve Acc	0	83.92	83.92	83.93	4.77	40007
Commdty & Energy	6	95.94	95.94xd	102.70	0.00	40008
1992 Enterprise	6	34.25	35.21	38.73	3.06	[illegible]
European Capital	6	77.29	77.29	82.67	0.91	40009
General	6	170.00	170.00	181.90	2.47	40010
Japan	6	101.50	103.30	109.80	0.00	40011
Mastertrust	6	79.09	79.09	84.59	1.90	40012
UK Growth Acc	6	197.80	205.80	218.90	1.28	40013
UK Growth Dist	6	132.80	138.10	146.90	1.91	40014
US Emerging Cos	6	45.76	47.40	50.42	0.00	40015
Income & Growth	6	282.00	282.00	301.70	3.40	40016
Ethical	6	47.94	49.08	52.21	2.39	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ						0800 833580
American	5¼	42.29	42.29	45.14	1.71	40022
Australian	5¼	22.42	22.42	23.93	1.15	40024
European	5¼	54.22	54.22	57.88	0.00	40025
Extra Income	5	41.94	41.94xd	44.52	4.48	40023
Fund Inv Tst	5	117.6	117.6	125.5	1.99	40100
Do Accum	5	179.2	179.2	191.3	1.99	40101
Gilt & Fixed Int	5¼	21.85	21.85xd	23.33	10.03	40026
Global Income	5¼	38.58	38.58	41.18	4.42	40027
Income & Growth	5¼	70.91	70.91	75.70	3.76	40029
Japan	5¼	171.7	171.7	183.3	0.01	40031
Nth Amer Inc (z)	5	26.42	26.42	28.04	4.44	40019
Special Situations	5¼	70.59	70.59	75.36	0.89	40032
UK Growth	5	36.02	36.02	38.23	2.57	40102
World Gwth	5	45.00	45.00	47.77	0.47	40020
Formerly Sentinel Funds Management Ltd						
American Majors	5¼	59.80	59.80	63.84	3.20	41374
Amer Tech & Gen	5¼	101.9	101.9	108.8	0.00	41375
European Growth	5¼	37.04	37.04	39.54	0.00	41376

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City Line
Buckmaster Mangmt Co Ltd—Contd.						
General Inc	5	300.7	300.7	318.0	2.34	40208
(Accum Units)	5	500.1	500.1	528.9	2.34	40209
Income	5	159.1	160.4	170.2	3.86	40210
(Accum Units)	5	296.5	306.6	325.3	3.86	40211
International	5	113.4	113.4	119.9	2.14	40212
(Accum Units)	5	154.6	154.6	163.5	2.14	40213
Smaller Co's	5	112.3	115.2	122.2	0.97	40214
(Accum Units)	5	122.9	125.9	133.6	0.97	40215
Inv Portfolio	2½	53.14	54.95	56.65	3.64	-
(Accum Units)	2½	54.11	55.95	57.68	3.64	-
High Income Port	3	48.08	48.28	50.03	6.70	-
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL						01-480 7216
Sh Dat Gilt & FI	1¼	52.33	52.33xd	53.07	1.37	40216
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD						01-740 7070
UK General Tst	5½	52.69	53.63	57.36	2.70	40217
Global Tst	5½	39.59	39.78	42.55	2.30	40218
Recovery Tst	5½	54.72	57.04xd	60.68	2.61	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL						01 234 6000
Growth Fd Acc	5	104.6	106.0	111.6	3.53	40020
CS Fund Managers Limited (1000)F						
125 High Holborn, London WC1V 6PY						01-242 1148
CS America	5	52.19	52.19xd	55.52	0.45	40221
CS International	5	53.23	53.23	56.62	1.80	40222
CS Japan	5	117.5	117.5	125.0	0.39	40223
CS Portfolio Inv ‡	5	69.80	69.80xd	74.25	1.43	40224
Canada Life Unit Tst Mngrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts						0707 51122
Can Gen Dist	5	134.6	139.8	147.1	3.15	40225
Do Gen Accum	5	224.5	233.2	245.5	3.15	40226
Do Income Dist	5	94.23	97.91	103.1	5.46	40227
Do Inc Accum	5	211.7	220.1	231.7	5.46	40228
Gilt & Fxd Int	5	36.71	36.65xd	38.79	8.28	40229
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876.						Dealing 0800 282621
Growth	5½	36.68	37.23	39.61	2.59	40230
Income	5½	46.41	47.02	50.29	4.14	40231
Far East ‡	5½	33.60	34.23	36.42	0.17	40232
North American ‡	5½	28.70	29.14	31.00	0.67	40233
Global ‡	5½	47.12	48.00xd	51.04	0.67	40234
European	5½	45.64	45.64xd	48.81	1.08	40235
Japan ‡	5½	94.65	95.00	101.6	0.01	40236
Intl Currency Bd	5½	43.36	43.36	45.99	6.00	40237
Strategic Opps.	5½	54.86	56.70	60.32	1.24	40257
Capability Trust Mngrs Ltd (1200)F						

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GUIDE TO UNIT TRUST PRICING

[illegible]

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Windsor Trust Mngs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

Wright Seligman Fund Mngs Ltd (1000)H
11 Stanfield St, London EC2M 7AY 01-588 0592
Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Charities Official Invest. Fund‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Edinburgh Fund Mngs PLC

Fidelity Investment Services Ltd

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Ambassador Life Assce. Co Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance Co

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH

INSURANCES

Continued on next page

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	Bid Price	Offer Price	Yield Gross	City-line
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool				051-928 6655
Managed Fund	291.0	306.4	–	43272
Man Pens Inc & Cap Fds	380.8	400.9	–	43273
Money Fund	117.9	124.2	–	43274
Pens Mngd Fd (Init)	100.6	105.9	–	43275
Pens Mngd Fd (Acc)	120.3	126.7	–	43276
Pens FT30 Fd (Init)	143.0	150.6	–	43277
Pens FT30 Fd (Acc)	171.0	180.0	–	43278
Pens O'seas MgFd(Init)	72.0	75.8	–	43279
Pens O'seas MgFd(Acc)	86.1	90.7	–	43280
Pens Fxd Int Fd (Init)	105.0	110.6	–	43281
Pens Fxd Int Fd (Acc)	125.6	132.3	–	43282
Pens Deposit Fd (Init)	103.9	109.4	–	43283
Pens Deposit Fd (Acc)	124.2	130.8	–	43284
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath				0444 458721
American	107.0	113.0	–	43285
Building Soc. Fd.	168.0	177.0	–	43286
Balanced	274	289.0	–	43287
Deposit	–	–	–	43288
European	151.0	159.0	–	43289
GT Managed	171.0	180.0	–	43290
Gartmore Mngd	110.0	116.0	–	43291
German	103.0	109.0	–	43292
Gilt	177.0	187.0	–	43293
Global	48.0	51.0	–	–
High Inc.	116.0	123.0	–	43294
International Equity	178.0	188.0	–	43295
Japan	228.0	240.0	–	43296
Managed	62.0	66.0	–	43297
Property	276.0	291.0	–	43298
R. W. Imperial Gold	131.0	138.0	–	43299
UK Equity	373.0	393.0	–	43300
Pension Funds				
American	136.0	143.0	–	43301
Building Soc. Fd.	167.0	176.0	–	43302
Balanced	213.0	225.0	–	43303
Deposit	–	–	–	43304
European	152.0	160.0	–	43305

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

GUERNSEY (**)

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FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

OTHER OFFSHORE FUNDS

LUXEMBOURG (**)

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
855	Treas 9½pc Cnv 1989	99	12.30	13.3	18 Oct 18 Apr	1348
500	Treas 3pc 1989	98	11.89	10.10	15 Nov 15 May	1327
1,400	Treas 10½pc 1989	99½	12.45	7.11	14 Dec 14 Jun	1287
2,400	Exch. 10pc 1989	99	12.29	28.12	1 Feb 1 Aug	1250
2,000	Exch 11pc 1989	99	12.29	20.2	29 Mar 29 Sep	1256
601	Treas 5pc 1986–89	97¼xd	10.49	9.3	15 Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99	11.18	10.10	15 May 15 Nov	1255
1,000	Treas 13pc 1990‡‡	100	11.68	9.12	15 Jul 15 Jan	1300
1,400	Exch 11pc 1990‡‡	99	11.69	6.1	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	100	11.70	13.2	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	93¼	9.55	3.10	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	96	11.57	8.11	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	97	10.18	12.12	16 Jul 16 Jan	4680
1,887	Treas. 10pcCv 1990	97xd	11.43	20.3	25 Apr 25 Oct	1295
500	Exch 2¼pc 1990	89¾	9.28	17.10	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	100⅝	11.38	5.12	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	91½xd	10.49	1.3	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	87	9.39	7.10	13 Nov 13 May	1326
646	Treas 10pc Cv '91 ‡‡	98	10.70	6.12	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	99xd	11.06	20.3	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	93	11.05	3.11	10 Jun 10 Dec	1336
900	Treas 12¾pc 1992‡‡	104	10.74	16.12	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	98	10.78	16.1	21 Aug 21 Feb	1283
1,400	Treas. 9pc 1992 ‡‡	92xd	10.80	7.3	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	99	10.77	3.10	7 Nov 7 May	1269
500	Treas. 3pc 1992	83	8.83	4.11	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	104	10.74	19.1	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	106	10.65	13.2	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	92	10.56	17.1	18 Aug 18 Feb	—
1,850	Treas 10pc 1993‡‡	98	10.41	9.3	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	106	10.47	8.12	14 Jan 14 Jul	1295
600	Funding 6pc 1993‡‡	86¼	9.67	6.2	15 Mar 15 Sep	1276

BRITISH FUNDS—Contd

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
359	Consols 4pc	44¼	—	28.12	1 Feb 1 Aug
1,909	War Loan 3½pc‡‡	39	—	22.11	1 Jun 1 Dec
140	Conv. 3½pc '61 Aft.	68½	—	23.2	1 Apr 1 Oct
56	Treas. 3pc '66 Aft.	30	—	1.3	5 Apr 5 Oct
276	Consols 2½pc	29¼xd	—	1.3	5 Ja Ap Jul Oct
475	Treas. 2½pc	28¼xd	—	23.2	1 Apr 1 Oct

Index-Linked

Amount £m	Stock	Price £	(1)	(2)	Last xd	Interest Due
500	Treas 2pc IL '90084 6)	127¼	3.21	—	19.12	25 Jul 25 Jan
650	Do. 2pc '92‡‡(97.8)	106½	3.49	—	14.2	23 Mar 23 Sep
400	Do. 2 '94 (102.9)	98	3.40	—	10.10	16 Nov 16 May
1,000	Do. 2pc '96(67.9)	144¼	3.47	—	7.2	16 Mar 16 Sep
900	Do 2½pc '01(78.3)	124	3.53	—	15.2	24 Mar 24 Sep
800	Do. 2½pc '03(78.8)	122	3.54	—	14.10	20 Nov 20 May
1,200	Do. 2pc '06(69.5)	125	3.54	—	13.12	19 Jan 19 Jul
950	Do. 2½pc '09(78.8)	117	3.54	—	14.10	20 Nov 20 May
1,350	Do. 2½pc '11(74.6)	122	3.53	—	17.1	23 Feb 23 Aug
1,100	Do. 2½pc '13(89.2)	101	3.50	—	10.1	16 Feb 16 Aug
1,700	Do. 2½pc '16(81.6)	110	3.47	—	20.12	26 Jan 26 Jul
1,400	Do. 2½pc '20(83.0)	108	3.42	—	10.3	16 Oct 16 Apr
900	Do. 2½pc '24‡‡(97.7)	91	3.38	—	12.12	17 Jan 17 Jul

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

- For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♦A.B.M Gold Corp ‖	134p	–	–	–	–	–
–	♦Abbot Energy Corp.	17p	–	–	–	–	–
705.6	♦Amer. Barrick Res.	22¾	–	–	–	–	–
–	♦Amer. Lightwave ‖	2½p	–	–	–	–	–
–	♦Armano	14½p	–	–	–	–	–
–	♦Asiamerica ‖	180p	–	–	–	–	–
–	♦Augmitto Explo.	24½p	–	–	–	–	–
1,406.5	Bk. Montreal ‖	13½	$2.12	7.5	8.8	Fb My Ag Nv	–
1,194.4	Bk. Nova Scot. ‖	696p	84c	5.8	28.9	Ja Ap Jn Oc	–
4,061.4	BCE ‖	18	$2.44	6.5	13.3	Ap Jy Oc Ja	–
316.4	♦Bow Valley ‖	764p	♦40c	2.5	15.12	May Nov.	–
882.6	♦Brascan ‖	13	88c	3.3	28.10	Ja Ap Jy Oc	–
43.8	♦Breakwater Res.	195½p	10c	2.5	–	–	–
1,975.9	Can. Imp Bank ‖	12¾	$1.16	4.4	29.6	Fe My Au No	–
3,333.8	Can. Pacific ‖	11	76c	3.3	28.9	July Jan.	–
18.0	Do. 4pc Deb £100.	38½	4%	10.4	24.11	July Jan	2051
–	Central Capital "A" ‖	421p	–	–	–	–	–
–	♦Corona Corp.	434p	–	–	–	–	–
57.4	♦Cons TVX Min.	364p	–	–	–	–	–
–	♦Dantas Mem. Syst. ‖	21½p	–	–	–	–	–
–	♦Derlan Inds. ‖	611p	11.75c	0.9	3.6	Mr Jn Se De	–
891.2	♦Echo Bay Mines	941p	$0.07	0.4	–	June Dec	–
–	♦ECO Corp ‖	427p	–	–	–	–	–
–	♦Energex Minerals ‖	11½p	–	–	–	–	–
66.2	♦Galactic Resources	222p	–	–	–	–	–
212.6	Gandalf Techs. Inc.	243p	–	–	–	–	5088
4.85	♦Geodome Res.	36½p	–	–	–	–	–
35.1	Granges Explo ‖	161p	–	–	–	–	–
–	♦Gt Pacific Res.	23p	–	–	–	–	–
–	♦Gulf Canada ‖	733p	52c	3.4	26.3	Ja Ap Jy Oc	–
96.8	♦Hawker Sid Can ‖	11¾	$1.08	4.4	15.11	Ap Jy Oc Ja	–
–	♦Henlys Group	480p	–	–	–	–	–
380.8	♦Hudson's Bay ‖	12¾	60c	2.3	2.10	Mr Jn Sp De	–
4,287.2	♦Imperial Oil ‖	26¼	$1.80	3.3	26.11	Mr Je Se De	–
1,032.0	Inco ‖	17¼	s$0.80	2.7	2.11	Jan Ap J O.	–
–	♦Inland Nat. Gas $1	629p	60c	4.6	30.12	Fe My Au No	–
7.96	♦Madeleine Mines	136p	–	–	–	–	–
–	♦Muscocho Explo.	185p	–	–	–	–	–

BUILDING, TIMBER, ROADS – Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
20.2	Latham (J.) £1	400	†9.5	3.2	28.12	Feb. Aug.	3136
69.5	Lawrence (W.)	151	†4.75	4.2	14.11	Jan. July	3138
6.04	Do 8.5pc Cm Rd Pf £1	155	8½%	7.3	22.2	Apr Oct	4993
95.1	Lilley (F.J.C.) 12½p	65½	a1.64	3.4	28.11	Nov. June	3166
9.07	♦Lon. & Clydeside	100	5.7	7.6	30.1	July Feb	3196
155.6	Lovell (Y. J.)	273	6.65	3.2	13.2	Apr. Oct.	3224
122.1	McAlpine (Alfred)	346xd	16.1	6.2	13.3	Apr Oct	3316
197.6	McCarthy & Stone 20p	385	5.14	1.8	28.12	July Feb.	3318
13.2	♦McLaughlin & H.	325	†8.0	3.3	19.9	May Nov	3322
526.3	Magnet	288	†6.9	3.2	28.12	Mar. Oct.	3265
62.8	Do. 5¾pc Pf 2012	86	5.63	8.7	13.2	–	3263
81.7	Manders (Hldg)	238	6.35	3.6	19.9	Nov. May	3278
506.9	Marley	189	†5.0	3.6	5.9	Oct May	3294
111.2	Marshalls	269	†7.25	3.6	13.2	May Nov.	3300
70.1	Do. 6½p Cv Cm Red Pf.	111	6.5	7.8	13.2	–	5099
28.4	Maunders (J.) 20p	117	†3.15	3.7	17.10	Apr Nov	3307
442.9	Meyer Int.	456	9.5	2.8	28.11	Jan. Sept.	3364
14.7	Miller (Stan) 10p	245	†1.25	0.7	3.10	December	3387
383.8	Mowlem (J)	458	†17.25	5.1	3.10	Jan. July	3431
152.9	NSM 10p	89	F3.0	4.5	–	Aug Jan	4934
14.8	♦Needler Group ‖	80	u09.8	5.9	3.10	October	5105
185.1	Newarthill £1	1990	s14.0	0.9	23.5	July	3487
156.9	Newman-Tonks	218	8.5	5.4	30.1	Mar Aug	3493
143.7	Persimmon 10p	185xd	5.0	3.6	13.3	April Oct	3641
12.9	Phoenix Timber	98	†2.5	3.7	12.12	Feb. Oct.	3655
14.8	Pochins	1425	19.0	1.8	31.10	July Dec.	3683
88.3	Polypipe 10p	147xd	†2.1	1.9	13.3	Apr Nov	3690
100.8	Prowting 20p	168	W4.25	3.5	14.11	Jul Dec	5067
1,244.8	RMC	645	†11.0	2.3	17.10	June Dec.	3838
120.8	Raine Inds. 10p	104	†3.0	3.9	28.11	Apr. Dec.	3760
7.97	♦Ramus	180	†7.0	5.3	17.10	May Dec	3763
1,396.7	Redland	513½	†15.85	4.1	31.10	Jul. Dec.	3793
61.5	Redland Cap 7½pc Cv '02	£102½	07¼%	7.1	–	January	–
16.4	♦Roskel 10p	124	u2.7	2.9	–	–	4982
526.2	Rugby Group	184	5.2	3.8	19.9	Jan. July	3682
51.0	Rush & Tompkins	399	†12.55	4.2	27.2	Jan July	5886

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING–Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)–Contd

INDUSTRIALS (Miscel.)–Contd

INSURANCES

LEISURE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

Australians

OIL AND GAS—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
—	♥Sceptre Res]........	218	—	—	—	—	—
12,744.3	Shell Trans. Reg... α	384½xd	17.0	5.9	13.3	Nov. May	4003
7.00	Do. 7pcPf. £1.... ♥	78	4.9%	9.3	28.12	Feb. Aug.	4005
17.7	Silkolene........ ♥	420	12.0	3.9	14.11	Jan May	4021
6.25	♥Southwest Res 40p ♥	32	♦	—	1'85	—	4066
103.8	Sovereign Oil..... β	187	—	—	—	—	4067
12.1	TR Energy 10p..... ♥	24	—	—	—	—	4275
1,270.8	Texaco 8pc Cnv.....	£182½	08%	7.8	17.10	Apr Oct.	4201

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
—	♥Whim Creek 10c...	120	Q11c	4.4	—	—	4486

Tins

Miscellaneous

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
2.56	Restaurateur 5p... ♥	69	F2.0	4.2	30.1	—	5228
8.41	Royal Sovereign 10p ♥	190	5.5	3.9	3.10	May Nov	1505
1.40	Scot Pickford 10p.. ♥	20	3.1	20.7	—	—	5062
8.89	Seacon Hldgs. ..... ♥	128	2.5	2.6	19.9	October	3968
0.93	Sonic Tape 2½p.... ♥	7½	—	—	—	—	5152
3.87	Staks Hldgs. 5p.... ♥	14	—	—	—	—	4625
3.92	Swanyard Studios 1p ♥	2¼	—	—	—	—	4646
38.0	Takare.............. ♥	435	1.0	0.3	27.2	—	4647
5.04	Tomorrows Leisure 20p ♥	45	—	—	—	—	4248
17.0	Tullow Oil 10p...... ♥	37	—	—	24.2	—	4806
4.43	UPL Group 10p..... ♥	110	L2.41	2.9	28.11	June	4362
7.23	Unit Group.......... ♥	140	F7.5	7.1	28.11	Jan July	4357
25.0	Wintegate Leisure 20p ♥	29	—	—	—	—	1105
1.11	Do. Wrnts.......... ♥	16½	—	—	—	—	1116
29.9	Wilton Group 1p... ♥	8½	—	—	—	—	3628

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ *Same interim; reduced final and/or reduced earnings indicated*
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on *assumption Treasury Bill Rate stays unchanged until maturity of* stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A *Net dividend and yield.* B *Preference dividend* passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... ♥	91	+1
Craig & Rose £1.. ♥	720	....
Finlay Pkg. 5p.... ♥	93	....
Holt (Jos) 25p.... ♥	1273	+8

IRISH

Cap. 8½% Ln. 1991...	£108¾	....
9pc Cap Ln. 1996..	£101	....
Fin. 13% 97/02...	£120½	....
Arnotts.............	470	−15
Carrol (P.J.)...... ♥	148	....
Hall (R. & H.)......	145	....
Helton Hldgs...... ♥	78	....
Irish Ropes..........	160	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	46
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	46
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	49

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WORLD STOCK MARKETS

INDICES

NEW YORK — DOW JONES

	Mar 23	Mar 22	Mar 21	Mar 20	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2243.04	2263.21	2266.25	2262.50	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.35	87.42	87.49	87.67	89.62 (8/2)	87.35 (23/3)	-	-
Transport	1008.09	1024.74	1034.12	1026.20	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.14	182.37	182.31	182.08	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2274.82 (2276.61) Low 2235.89 (2247.14)

STANDARD AND POOR'S	Mar 23	Mar 22	Mar 21	Mar 20	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	288.98	290.49	291.33	289.92	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	332.79	334.54	335.85	334.17	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.94	27.07	27.14	27.01	27.49 (16/3)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	162.64	163.41	163.80	163.13	168.10 (16/3)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	324.87	325.88	326.49	325.49	332.52 (16/3)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	400.94	400.57	401.77	398.50	409.51 (16/3)	378.56 (3/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Mar 17	Mar 10	Mar 3	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.70	3.35
	Mar 15	Mar 8	Mar 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.23	2.94
S & P Indl. P/E ratio	13.17	13.04	12.68	15.35

TRADING ACTIVITY † Volume Millions

	Mar 23	Mar 22	Mar 21
New York	153.790	146.570	142.010
Amex	9.658	8.929	9.953
OTC	149.178	136.377	123.726

NEW YORK	Mar 23	Mar 22	Mar 21
Issues Traded	1,998	1,935	1,928
Rises	565	593	870
Falls	835	782	542
Unchanged	538	560	516
New Highs	25	19	12
New Lows	39	39	39

CANADA

TORONTO	Mar 23	Mar 22	Mar 21	Mar 20	1989 High	1989 Low
Metals & Minerals	3241.4	3267.9	3324.9	3323.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3546.9	3558.1	3578.2	3576.7	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1752.60	1765.22	1779.42	1776.58	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
AT&T	6,103,500	31¼	—	Union Carbide	1,580,700	29⅝	− ⅛
Lilco	2,600,800	14⅞	—	Tandy	1,487,400	42	− ⅛
Polaroid	2,458,600	40½	− ⅜	Valero	1,440,800	14	+ ⅛
IBM	2,015,400	109¾	+ ½	Common'th Ed	1,336,400	33½	− ⅛
General Electric	1,810,500	44	− 1	Digital Equipment	1,243,700	97⅞	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 27 March 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	28.4m	894	-6	Sumitomo Metal	12.6m	781	-28
Kobe Steel	19.8m	843	-22	Okumura	11.8m	2,340	+120
Fujita	17.2m	2,160	+30	Sanyo Electric	10.1m	891	-3
Kumagai	13.6m	1,830	-20	Kawasaki Steel	9.9m	885	-15
Daido Steel	12.9m	1,530	uch	Taisei	9.3m	1,680	+10

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WORLD STOCK MARKETS

AMERICA

Dow edges ahead in slow trading

Wall Street

WITH LITTLE in the way of news to move prices and with bond and currency markets still subdued after the Easter weekend, Wall Street managed some minor gains in sluggish trading yesterday morning, *writes Anatole Kaletsky in New York.*

The Dow Jones Industrial Average opened slightly above its close on Friday and rose as much as 10 points by mid-morning. But the pace slowed around lunchtime and at 12.30 pm the Dow stood only 5.53 up at 2,248.57. Volume was modest with 55m shares changing hands on the Big Board, where the number of advancing shares almost exactly matched declines.

The bond and currency markets gave equity traders conflicting signals, as the dollar rose sharply while bond prices declined. But analysts were careful not to read much into either of these movements, on the grounds that European markets were closed for the day, making foreign exchange trading particularly thin. Nevertheless, the strengthening of the dollar, which rose as far as DM1.8870 and Y132.90, was such that the Federal Reserve Board was rumoured to have intervened to buy both yen and D-Mark. However, the rumours of Fed intervention were disputed by some dealers.

The bond market fell by as much as a quarter point at the long end and the Treasury's benchmark long bond traded at 98⅞ at lunchtime, a price which yielded 9.24 per cent. Federal funds remained motionless throughout the day at 9¾ per cent and the Fed did $1.5bn of customer repurchase agreements, a neutral move which was seen by analysts as a signal that the central bank was happy with the present structure of interest rates, at least for the time being.

The next big event that concerns investors in both the bond and equity markets was the meeting of the Federal Open Market Committee, due to begin in Washington this morning. But analysts on Wall Street were expressing growing confidence that no further monetary tightening would be considered necessary at this stage. Traders were already starting to focus on the employment figures for March, due out on April 7, as the most important influence on the markets in the weeks ahead.

With trading essentially directionless in most issues, attention was concentrated on the few special situations and corporate announcements that emerged over the weekend. The day's busiest dealings were in American Medical International, the hospital company which announced a $24 a share bid from one of its directors Dr M Lee Pearce. AMI jumped $3¾ to $21¾.

Exxon, caught in the midst of an environmental disaster, lost $⅛ to $44⅛, while other energy issues strengthened on news of higher oil prices. Chevron advanced $⅝ to $52½, while Schlumberger gained $⅞ to $37⅞.

Digital Equipment rose to $97⅞, recovering another $¾ after last week's selling spree and IBM rose $⅛ to $110, pulling other technology issues with it. Philip Morris, another of last week's big blue chip losers, regained $1⅛ to $116⅝.

MOST European markets, together with Johannesburg, were closed for the Easter holiday yesterday. MADRID was open and rose slightly in thin trading, with the general index closing 0.43 higher at 278.46. Among blue chips, Telefónica shed 2.75 percentage points to 181.25 per cent of par and Banco Popular rose 8 to 1,683.

Canada

SLUGGISH trading in Toronto left shares mixed at midsession, with the composite index down just 0.67 at 3,546.22.

Gold shares eased, and the energy group of stocks was only slightly boosted by a surge in oil prices above US$20 a barrel.

Declines outnumbered advances by 201 to 186 on very light volume of only 5.6m shares.

ASIA PACIFIC

Impending tax spurs profit-taking

Tokyo

PROFIT-TAKING on the last day before a new capital gains tax comes into effect, coupled with arbitraging by foreign investors, gave some measure of excitement to a fairly lifeless session yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, which managed to sustain a moderate gain for most of the day, lost in later trading to close down 56.12 at 31,512.40. Arbitraging by foreigners was cited as a reason for the fall. The day's high was 31,717.15 and the low 31,505.20. Declines led advances by 513 to 317, with 165 issues unchanged. Turnover at 690m shares was marginally up on Friday's 681m. The Topix all-share index shed 8.57 to 2,364.33.

Among losers, Nippon Telegraph and Telephone, the huge telecommunications company that has been shaken by the Recruit share sale scandal, closed at a new low of Y1.53m. This is way below last year's third tranche issue price of Y1.9m and even some way below the original issue price of Y1.6m which investors had long expected to be a low for the shares.

NTT's shares have been depressed ever since it emerged that former executives were involved in the Recruit affair, and particularly after the arrest of the former NTT chairman, Mr Hisashi Shinto, on charges of accepting bribes from the Recruit group.

Investor confidence was further undermined yesterday by growing expectations that Mr Shinto would soon be indicted. Concern that the scandal would damage the company's future business and hurt profits also led to an increasing loss of confidence in the recovery of NTT's shares. "There is no knowing how far the price will fall," said Mr Norio Watanabe at Credit Suisse Investment Advisory Co.

Steels suffered from a further weakening of the yen against the dollar. Nippon Steel, top of the most actives list with 23.4m shares traded, dropped Y6 to Y894. Kobe Steel, which was second with 19.8m shares, lost Y22 to Y843. Sumitomo Metal was down Y28 to Y781, also in heavy trading.

Construction companies, which have posted substantial gains recently on expectations of a long-term boost in business due to infrastructural investment, firmed again yesterday. Many construction issues had lost ground in the past few sessions as individuals sought to take profits before the start of a new capital gains tax to be imposed on transactions from today.

Fujita, third most actively traded with 17.2m shares, added Y30 to Y2,180. Okumura, selected for its participation in several large-scale redevelopments in western Japan, including the Kansai International Airport near Osaka, rose Y120 to Y2,340.

Pharmaceuticals advanced on buying by investment trusts which picked them as lagging blue chips. Yamanouchi rose Y80 to Y3,450 and both Takeda and Daiichi Seiyaku added Y70 to Y2,330 and Y2,750 respectively. Dainippon Pharmacy gained Y50 to Y2,250.

Investors remained unenthusiastic in Osaka and share prices suffered a moderate downturn. The OSE average lost 92.46 to 29,726.88 and turnover fell to 142m shares against 190m on Friday. Steels were sold with NKK losing Y17 to Y873.

Roundup

MARKETS in Australia, New Zealand and Hong Kong were closed yesterday. SINGAPORE gained ground, with the Straits Times Industrial index rising 3.17 to 1,153.90 in very active turnover of 108m shares.

Trading was again dominated by small investors, with City Development warrants seeing 8.7m units traded and rising 2½ cents to 34 cents.

TAIWAN see-sawed sharply in record turnover of 1bn shares worth T$93.6bn. The weighted index finished lower for the first time in six sessions, down 114.64 at 7,382.88.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 24 1989					THURSDAY MARCH 23 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	138.82	+0.0	119.59	111.54	4.96	138.82	119.59	111.54	157.12	91.16	116.59
Austria (18)	107.94	+0.0	92.99	104.67	2.40	107.94	92.99	104.57	107.94	83.72	92.06
Belgium (63)	130.07	+0.0	112.05	125.90	4.12	130.07	112.05	125.90	139.89	99.14	136.28
Canada (125)	133.58	+0.0	115.08	115.06	3.33	133.58	115.08	115.06	137.27	107.06	120.46
Denmark (39)	168.19	+0.0	144.89	166.88	1.93	168.19	144.89	166.88	173.29	111.42	118.87
Finland (26)	145.77	+0.0	125.58	129.10	1.42	145.77	125.58	129.10	147.07	106.78	124.56
France (130)	115.21	+0.0	99.25	114.44	2.86	115.21	99.25	114.44	119.98	72.77	83.74
West Germany (102)	83.05	+0.0	71.54	80.80	2.35	83.05	71.54	80.80	90.40	67.78	77.65
Hong Kong (46)	129.46	+0.0	111.53	129.43	3.78	129.46	111.53	129.43	133.77	84.90	97.70
Ireland (17)	142.26	+0.0	122.56	140.13	3.63	142.26	122.56	140.13	146.46	104.60	120.27
Italy (98)	81.00	+0.1	69.78	83.18	2.43	80.94	69.72	83.11	86.88	62.99	78.84
Japan (456)	182.67	-0.3	157.37	151.55	0.49	183.15	157.78	151.95	200.11	133.61	167.29
Malaysia (36)	161.64	+0.0	139.26	171.09	2.46	161.64	139.26	171.09	161.66	107.83	120.12
Mexico (13)	167.25	+0.0	144.08	435.58	1.17	167.25	144.08	435.58	182.24	90.07	136.99
Netherland (39)	116.01	+0.0	99.94	111.75	4.52	116.01	99.94	111.75	117.71	95.23	107.19
New Zealand (24)	70.82	+0.0	61.01	60.90	6.47	70.82	61.01	60.90	84.05	63.52	76.89
Norway (26)	171.22	+0.0	147.50	157.74	1.83	171.22	147.50	157.74	174.29	98.55	121.29
Singapore (26)	146.44	+0.0	126.15	130.99	2.07	146.44	126.15	130.99	147.62	97.32	110.89
South Africa (60)	141.41	+0.0	121.82	127.46	4.90	141.41	121.82	127.46	141.89	98.26	136.57
Spain (42)	146.49	+0.0	126.19	129.01	3.75	146.49	126.19	129.01	164.47	130.73	150.57
Sweden (35)	156.91	+0.0	135.17	148.14	2.16	156.91	135.17	148.14	158.38	96.92	117.53
Switzerland (57)	75.01	+0.0	64.62	75.61	2.40	75.01	64.62	75.61	86.75	74.13	82.50
United Kingdom (314)	147.86	+0.0	127.38	127.38	4.39	147.86	127.38	127.38	153.33	120.66	134.51
USA (568)	117.69	+0.0	101.38	117.69	3.69	117.69	101.38	117.69	121.90	99.19	105.52
Europe (1006)	118.07	+0.0	101.72	108.88	3.58	118.07	101.71	108.88	120.88	97.01	107.39
Nordic (126)	148.70	+0.0	128.10	145.90	2.02	148.70	128.10	145.90	149.38	95.22	110.17
Pacific Basin (675)	178.59	-0.2	153.85	148.70	0.72	179.03	154.23	149.06	194.72	130.81	162.59
Euro-Pacific (1681)	154.41	-0.2	133.02	132.78	1.61	154.67	133.24	133.00	164.22	120.36	140.52
North America (693)	118.53	+0.0	102.11	117.56	3.67	118.53	102.11	117.56	122.71	99.78	106.32
Europe Ex. UK (692)	99.68	+0.0	85.87	97.42	2.91	99.67	85.86	97.41	103.11	80.28	90.54
Pacific Ex. Japan (219)	129.59	+0.0	111.64	112.73	4.40	129.59	111.64	112.73	137.65	87.51	105.88
World Ex. US (1879)	153.56	-0.2	132.29	132.26	1.68	153.81	132.50	132.47	162.77	120.26	139.79
World Ex. UK (2133)	138.88	-0.1	119.64	127.31	2.07	139.05	119.78	127.46	146.04	111.77	125.79
World Ex. So. Af. (2387)	139.65	-0.1	120.31	127.31	2.28	139.81	120.44	127.45	146.65	113.26	126.49
World Ex. Japan (1991)	119.09	+0.0	102.59	114.78	3.67	119.09	102.59	114.78	122.37	100.00	107.01
The World Index (2447)	139.66	-0.1	120.32	127.30	2.29	139.82	120.45	127.44	146.51	113.37	126.55

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ index), 114.45 (Pound Sterling) and 123.22 (Local).
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Markets closed March 23: Denmark, Finland, Norway and Spain.
Markets open March 24: Italy and Japan. Latest prices were unavailable for this edition.

3pm prices March 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
29	21¾	AAR	.44	1.7	17	86	26¼	26	26	– ½
10⅛	8⅞	ACM n	1.01	12.		39	8⅝	8⅝	8⅝	
11⅞	10⅝	ACMIn	1.26a	12.		104	10¾	10½	10½	– ⅛
10⅜	8½	ACM M	n1.01	11.		96	8⅞	8¾	8⅞	+ ⅛
11¾	10⅛	ACM Se	1.26	12.		x412	10½	10⅜	10½	
10¼	8½	ACMSp	n.85e	9.7		427	8¾	8⅝	8¾	– ⅛
5⅜	2⅞	AMCA	.12e	3.2		5	3¾	3¾	3¾	+ ¼
8¼	3⅞	AM Intl				289	5⅞	5½	5⅞	+ ⅛
23⅜	18¼	AM Inl pf	2	8.8		13	22⅞	22¾	22¾	– ⅛
62¼	39	AMR			7	8737	56¾	55⅞	56¼	+ ¾
28¾	25	ANR pf	2.67	11.		18	25⅜	25¼	25¼	
9½	4⅞	ARX				24	5⅛	5	5	– ⅛
47	35¼	ASA	3a	7.2		135	41⅞	41½	41⅞	
20¼	14⅝	AVX	.24	1.4	8	160	16⅞	16⅝	16⅞	
53¾	42⅞	AbtLab	1.40	2.7	16	1325	52¾	51⅞	52¾	+1⅛
19¾	15⅜	AbitIbi g	1			3	16⅜	16⅜	16⅜	– ⅛
13⅞	7½	AcmeC	.40	4.2		158	9½	9⅜	9½	+ ⅛
7⅝	5⅞	AcmeE	.32	4.5	25	11	7¼	7⅛	7⅛	– ⅛
30¾	20¼	Acuson			24	73	28¼	27⅞	28	
16⅞	14½	AdaEx	1.62e	13.		89	14½	d14⅜	14½	– ⅛
18⅞	7¼	AMD			10	569	8⅝	8¼	8⅜	+ ⅛
43½	28¾	AMD pf	3	9.4		12	32	31¾	32	
8⅜	6½	Adobe				24	7⅝	7½	7½	– ⅛
18¼	16½	Adob pf	1.84	11.		5	17¼	17¼	17¼	
21¾	20	Adob pf	2.40	12.		3	20½	20¼	20½	+ ⅛
9¾	6⅞	Advest	.12	1.7	16	50	7⅜	7¼	7¼	
52½	39½	AetnLf	2.76	5.5	9	1030	49¾	49½	49¾	
44½	24	AffPb s	.22	.5		894	41⅞	40⅞	41⅞	+ ⅜
18¾	13¼	Ahmans	.88	5.4	8	467	16½	16⅜	16¼	– ⅛
4⅝	2⅞	Aileen			18	15	3¼	3¼	3¼	
53⅛	37¾	AirPrd	1.20	2.9	10	2971	41½	40⅞	41½	
38½	15½	AirbFrt	.60	2.3	25	93	26	25½	25⅞	+ ⅛
18	11⅞	Airgas			11	91	16⅜	16½	16½	– ¼
20½	17¾	Airlease	2.40	12.	9	x6	19⅞	19¾	19¾	+ ⅛

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Continued on next Page

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅝	4½	Sviller s	.06	.4	10	4957	u15⅞	13½	14⅝	+1⅞
7⅛	3	SvcRes				20	3⅝	3⅝	3⅝	−⅛
27½	21⅞	Svcmst	1.72e	7.9	11	613	22⅛	d21⅝	21⅞	−½
33⅝	13	Shaklee	.80a	2.9	14	x137	27⅝	27⅞	27⅞	+⅛
28½	18⅝	Shawin	.80	3.4	9	166	23½	23½	23½	
27⅝	21⅛	ShearN	1.36	5.4	8	x7016	25⅛	24⅞	25	+⅛
25	16⅛	ShLehH	.75	3.8	24	152	19⅝	19⅝	19½	−⅛
14⅛	9	Shelby	.24	2.3	9	1	10½	10½	10½	
42⅝	32⅝	ShellT	a2.40e	5.8	11	283	41⅞	41	41⅞	+⅛
31⅝	24	Shrwin	.70	2.6	12	145	26⅝	26⅝	26⅝	−⅛
13⅛	7⅞	Showbt	.28	2.2		124	12⅞	12⅝	12⅝	−⅛
25⅝	20⅝	SierPac	1.80	7.5	12	44	24⅛	24⅛	24⅛	
5⅝	4½	SgalApl				6	5⅛	5⅛	5⅛	
34	23⅞	Signet	1.40	4.6	5	87	31⅛	30⅞	31	+⅛
16⅞	9⅛	SiliconS			7	927	11⅝	11⅞	11⅝	+⅝
19⅛	14	Sizeler	1.56	9.6	16	6	16	16	16	−⅞
19⅛	13⅞	Skyline	.48	2.6	16	1011	u18⅞	18⅛	18⅛	+⅝
10⅞	7⅛	Smithln				56	10⅛	10	10⅛	
57⅛	40⅞	SmkBck	1.84	3.5	29	4082	53⅛	52⅛	52⅞	−⅛
62⅛	48⅛	Smucker	.86	1.6	18	17	58⅛	58	58⅛	
44⅞	33	SnapOn	1	2.8	13	330	35⅞	35⅝	35⅞	
9⅛	3	Snyder	.60	15.		171	4⅛	4⅛	4⅛	
15⅛	9⅛	Snydr pf2.05		18.		31	12	11⅞	11⅞	
6⅛	2⅞	Soltron				24	3⅛	3	3⅛	+⅛
32⅛	25⅝	Sonat	2	6.6	13	405	30½	30⅛	30⅝	+⅞
59⅝	37⅛	SonyCp	.33e	.7	28	14	50½	50⅛	50⅞	−1
28⅞	19⅞	SooLin			14	150	24⅛	23⅞	23⅞	−⅛
39⅝	35⅛	SourcC	3.50	9.3		19	37⅞	37⅞	37⅞	−⅛
25⅞	23½	SrcCp pf2.40		10.		9	24	23⅞	23⅞	−⅛
19⅛	16⅛	SoJerin	1.34	7.3	10	7	18⅞	18	18⅞	+⅞

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	25	XTRA pf1.94		6.6		5	29⅛	29⅛	29⅛	+⅛
3⅞	2	Zapata				222	2⅞	2⅞	2⅞	
27⅛	18⅝	Zayre	.40	1.6	184	1584	24⅞	24⅝	24⅝	−⅛
15½	11	Zemex	.40	3.6	29	3	11⅛	11⅛	11⅛	−⅛
30	16½	ZenithE			93	256	18⅝	18½	18½	
10⅞	8⅞	Zenia o .69e		7.4		80	9⅝	9⅛	9⅝	+⅛
2⅞	1	vjZenLb				521	2⅛	2	2	−⅛
19⅞	13	Zero	.44	2.4	16	38	18½	18⅛	18⅛	−⅛
29⅝	19	Zurmin	.68	2.4	16	230	28	27½	28	+⅛
11⅛	9⅛	Zweig	1.08e	9.9		206	10⅞	10⅞	10⅞	+⅛
10⅛	8⅞	ZweigT	n.24e	2.7		485	9	8⅞	9	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices March 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 4pm prices March 27

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

INTERVIEW

Speaking voice of the Church

Roger Matthews looks at the influence of Cardinal Sin, Roman Catholic Archbishop of Manila

Sin is everywhere in Manila, at least according to the man who bears that name. "Many times here in the Philippines there are people even glorifying sin," says Jaime Cardinal Sin, Archbishop of Manila, with a characteristically ambiguous pun that despite the accompanying boom of laughter leaves the writer to decide whether to use a capital or small "s".

Some Filipinos do truly glorify Sin. An ebullient, beaming extrovert, he is probably, in narrowly national terms, the most politically influential Roman Catholic priest in the world after, or even before, the Pope. In a country of 60m-plus people, where up to 85 per cent embrace Catholicism and 70 per cent live on or below the poverty line, the words of Cardinal Sin – and there are many of them – have had an emphatic impact.

His international reputation was made on the night in February 1986 when he urged the people of Manila to place themselves between the advancing tanks and troops of President Ferdinand Marcos and a group of 250 rebel soldiers headed by now Defence Secretary Fidel Ramos and then Defence Secretary Juan Ponce Enrile. The people came in their millions, the Marcos troops backed off, and the man who had despoiled the Philippines for 20 years retreated to Hawaii.

It was an appallingly dangerous gamble, as the people of Burma have more recent reason to know, but, because it succeeded, it was a famous victory. For Cardinal Sin, who subsequently received 11 honorary degrees in the US, it was, and forever will be, a miracle "scripted by God, directed by the Virgin Mary and starring the Filipino people."

He refuses to explain the overthrow of Marcos in any other terms. During those few climatic days, he asserts, everyone was touched by the Grace of God – even at the last moment, Mr Marcos. No one has been more assiduous in promoting this version of the Philippines revolution than the Cardinal. The length and breadth of America has heard his emotional account of the story in which the Filipinos with their "People's Power" and the Church with its "Prayer Power" came together in holy alliance.

Just over three years on, some things have not changed in the Philippines. Church and state are still legally separated – although at the highest level they have never been more intimately intertwined. President Corazon Aquino is now halfway into her six-year term; a constitution has been written; there is a democratically elected house and senate; the judiciary has been re-established and a land reform bill of still questionable effect has been passed. In the first 650 days of Mrs Aquino's presidency there were also five attempted military coups, one of which, in August 1987, came perilously close to succeeding.

He is probably, in national terms, the most politically influential Catholic priest in the world after, or even before, the Pope

In the early post-Marcos days, Mrs Aquino was elevated by Cardinal Sin to a status akin to that of Joan of Arc. He played an important role in persuading her to pursue the presidency and, as a devout Catholic, Mrs Aquino was especially susceptible to his advice. The Cardinal says that he is particularly happy for a woman to be president because by nature women are more compassionate than men.

The issues of justice, mercy and compassion are again emerging strongly in the Philippines and with them increasing doubts about the effectiveness of Mrs Aquino's administration and, among some clergy, doubts about the role of Cardinal Sin.

"It is impossible to separate the two issues," comments a Western diplomat. "The one unquestionable winner of the past three years has been the Church. It is now stronger than ever with the enhanced moral authority of having rid the country of Marcos, with a very direct and effective line into the presidency, but at the same time a capacity to distance itself on certain issues so that it will not be damaged should Mrs Aquino be toppled. Never forget the first priority for the Church is survival."

So effective is Cardinal Sin at handling the media that many people at home and abroad believe that he is the Church in the Philippines, which he most emphatically is not. A diplomat on a recent provincial visit inevitably called on the local senior bishop. Equally inevitably, within minutes the name Sin cropped up. Whereupon the bishop leaned forward in his chair, deliberately lifted one buttock and broke wind.

Such an unconventional response is not untypical of the emotions which Cardinal Sin can arouse. He is just one of over 100 senior clergy who are members of the Catholic Bishops Conference of the Philippines, the highest church authority in the country.

Many of these bishops – and more particularly their diocesan priests – daily see the terrible poverty of the countryside, the widespread malnutrition and sometimes starvation, the high infant mortality rate, the impact of the continuing struggle between the military and the communist New People's Army which is reckoned to control 25 per cent of villages, and the minimal effect that Mrs Aquino's Government has had in easing these problems.

'During those days, everyone was touched by the Grace of God – even Mr Marcos'

For some of these priests there has been no revolution, just a change of regime. For them, Cardinal Sin is the antithesis of a liberation theologian. They see him instead as a deeply conservative priest, seduced by the exercise of influence in the capital, revelling in his trips abroad, and presenting a triumphant picture of the Philippines far divorced from reality. As one put it: "Sin has become the epitome of his name."

They were distressed when the Cardinal dismissed reports of mounting human rights abuses by the military and right-wing vigilante groups as the propaganda output of communist-infiltrated groups. They have been concerned about his alleged unconcern over the explosive growth of largely US-funded fundamentalist born-again Christian groups with their unequivocally anti-communist message. And they see nothing being done to narrow the chasm between the mass of urban and rural poor and the rich landowning class, which more than anything might lessen the appeal of communism.

Neither, probably, can very much be done about the root causes of it under the present system until the Government tries, or is allowed to try, to introduce a convincing population programme. Even the figures are a political football. The population, according to some local sources, is about 58m; according to a recent US appraisal about 62m. No one disagrees that it is growing rapidly, maybe at an annual real rate of increase of close to 3 per cent. At this rate the population will double in little more than 25 years. Over 40 per cent of the population is under 15, over 50 per cent in Manila is under 20. Life expectancy is 10 years less if you are a Filipino than a Singaporean. Job expectancy is diminishing with high unemployment, higher under-employment and a minimum of 750,000 young people coming onto the market each year. A similar mass explosion is taking place in demand for school places.

"Business is booming," declared Cardinal Sin cheerfully, recounting how he had just squeezed 1m pesos ($47,000) from a local businessman whom he described as one of the richest and meanest in Manila. Certainly the economy is growing faster than at any time since Marcos left; it probably achieved close to 6.5 per cent growth last year. But since the Cardinal and much of the Church is adamantly opposed to artificial methods of contraception, fiercely hostile to abortion, and all too ready to describe any state programme as coercion (thereby equating it with the Marcos dictatorship); and since Mrs Aquino has backed away from the issue, it looks as if the economic gains will have to be spread among ever more people.

That is, in so far as they are spread at all. Cardinal Sin, perhaps somewhat shaken by the coup attempt 15 months ago, remarked then, and repeated it again recently, that although Ali Baba (Marcos) had gone, the 40 thieves remained. He absolves Mrs Aquino of any blame ("she was given to us by God") but believes that the corrupt activities of people around her played a key role in creating the conditions which led to that coup attempt.

While he says that the Church should again withdraw from the forefront of political activity he insists that it has a duty to speak out on issues which affect the spiritual and moral life of the nation. Equally he sees a necessity to recreate the spirit of People's Power, invoked by him, in order to rebuild the country.

In short, Sin is likely to be as inescapable in the Philippines in the coming years as it and he has been for the past several.

Need of trans-national law for trans-national mergers

A.H.HERMANN

The growing need for a worldwide unification of national laws protecting competition and investors in securities was demonstrated again last week by US courts. The New York courts have intervened in a takeover battle situated outside the US borders, where neither of the two combatants is a US corporation, though both are major groups with interests in the US.

I am writing, of course, about the bid by Minorco – the Luxembourg-based investment group controlled by South African mining magnate Mr Harry Oppenheimer – for Consolidated Gold Fields, the London-based mining finance house which has mining interests and shareholders in the US.

Gold Fields' application to US courts to stop Minorco's takeover bid was substantially strengthened last week by a favourable decision of the US Federal Appeals Court for the Second Circuit. The application has two branches of unequal strength.

One is the claim that the acquisition would have an anti-competitive effect on the US gold market by providing Minorco with a dominance of the gold market throughout the western world.

This claim, although difficult to prove, has been received favourably by the Federal District Court for New York South. On October 24 1988 the court granted to Gold Fields a temporary injunction prohibiting Minorco from further acquisition of Gold Fields shares. It was then confirmed by the appeal court on March 22 1989.

The merits of the second claim, alleging infringement of US anti-fraud securities laws by insufficient or misleading disclosure of relevant facts in Minorco's offer documents, seems easier to handle for a trial lawyer. But this branch of the application is only in the bud: the district court did not consider its merits but has now been told by the appeal court to do so.

When these issues will come to full trial Gold Fields will have to show not only that the combined enterprises, with their associated companies, would control 32.3 per cent of gold mining in the western world, but also that the resulting market power is likely to affect adversely competition on the US market.

Minorco denies this, arguing that there exists an important potential for new mining which would be started if the price of gold rose, that there are important deposits of gold in the US which could be mobilised, and that imports from the Soviet Union would countervail any attempt to rig the market.

The present anti-trust policy of the Department of Justice and its draft guidelines on mergers would take such actual and potential competition by other parties into account in judging whether there is any danger that the takeover would result in a monopolisation of the US market.

However, US courts are not bound by the guidelines followed by the executive, though they might, as Minorco pleaded, take them into account as "persuasive". In this case, the appeal court did not find them persuasive enough; nor was it impressed by the report of the British Monopolies and Mergers Commission which earlier cleared the bid.

The appeal court also did not give any weight to Minorco's promise to dispose of Gold Fields' 49 percent stake in Newmont Mining, the largest US gold producer. This might have been the result of Gold Fields' submission that the disposal cannot be taken for certain because Minorco is apparently still looking for a possible buyer.

But it is also possible that the court did not attach any great importance to it, considering the dominance of the world gold market to be of sufficient consequence even if its effect on the US market was only through imports of gold or their restriction.

Such thinking could, unfortunately, find support in the recent decision of the European Court in the *Wood Pulp* case, where the court found the European Community rules of competition infringed by foreign producers merely because they supplied to the EC wood pulp at prices which they agreed between themselves abroad.

While the district court based its temporary injunction on the anti-trust arguments pleaded by Gold Fields, it did not consider the US shareholders of Gold Fields numerous enough to deserve the court's protection.

However, the appeal court thought that the proportion of US shareholders in the total number was less important than the clearly significant value of their holdings, ranging between $140m-$150m. It has instructed the district court to consider the allegations of securities law violations if it should come to trial. Even if it does not come to trial this issue could be broached by the Securities and Exchange Commission without further prompting, though no such move has been reported so far.

Gold Fields alleged that if the bid is allowed to proceed, its US shareholders could be defrauded by deceptive or incomplete information provided by Minorco in its offer documents. In particular, Gold Fields alleges that these documents neither disclosed the interest which leading personalities of the bidder have in other companies, nor reported certain "secret" payments.

Gold Fields claims that, contrary to the statement made to shareholders, Minorco is not unequivocally committed to the disposal of its stake in Newmont Mining. It also finds misleading the claim made in Minorco's new offer of 1,025 pence in cash plus one half of a Minorco share. Minorco stated that this amounts to an offer of 1,412 pence – a figure which according to Gold Fields could be reached only by taking the Minorco share above its market value.

Gold Fields argues that the value of the Minorco shares is bound to slump as Morgan Grenfell tries to meet its promise to sell within 21 days the Minorco shares received by Gold Fields shareholders in part payment, thus flooding the market with 3.35m new Minorco shares while the US state of Michigan announced its intention to dispose of its 5.5 per cent stake in Minorco by 1994.

What next? If Minorco resigned itself to the injunction and let the matter go to trial, the bid would be put into cold storage for years. There are, however, several ways of appealing against it. The quickest would be an application for a rehearing, either by the same judges who confirmed the temporary injunction, or by the full bench of the appeal court, which would seem the more attractive of the two possibilities.

Finally, there is the possibility of appealing against the injunction to the US Supreme Court. It would take some time before the Supreme Court decides whether it would be willing to deal with the appeal at all. If it were, it would take considerable time before it reached a decision. This would be of fascinating interest to anti-trust lawyers throughout the world, but possibly too late for the parties involved.

Two different lessons can be drawn from this affair: one for speculators and the other for statesmen.

The speculators are bound to note that the bigger the companies and the greater the geographical market in which they operate, the greater are the dangers and more numerous the hidden pitfalls which can frustrate the proposed takeover or merger.

The statesmen, by contrast, are likely to continue to ignore the growing contradiction between truly translational business and the multitude of widely divergent national laws trying to control it. If pressed, they might say that it is not only divergent systems of law, but primarily divergent economic policies which cause the trouble.

To which one could only retort, this makes obvious the equally urgent need to harmonise such economic policies, the competition policy in the first place, and not only within the all too narrow framework of the European Community.